

109th Congress

AMERICA'S BUSINESS



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Rick Santorum, Chairman

Kay Bailey Hutchison, Vice Chairman

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April 28, 2005

Dear Colleague:

On the following pages you will find information on Social Security, Judges, John Bolton, Energy and our Jobs Agenda for this upcoming Recess. In addition, we have provided a copy of the Senate Republican Conference Agenda for the 109th Congress. It is our hope that this recess packet will help you communicate our top priorities to your constituents. It is critical that we work together and proactively communicate our commitment to save and strengthen Social Security for future generations, give the President's judicial nominations a fair up-or-down vote on the Floor of the United States Senate, as well as pass a comprehensive energy plan to add more jobs to our economy and lessen our dependence on foreign sources of energy.

As President Bush mentioned earlier this year, Social Security, one of America's most important institutions is also in need of prudent and effective reform. In the coming months we must work together to save and strengthen Social Security, because retirement security is more important than partisan politics.

Speaking of partisan politics, a minority of Democrats continues to use unprecedented obstruction to block votes on President Bush's qualified, majority-supported appeals court nominees. Never before 2003 has a judicial nominee with clear majority support been denied a fair up-or-down vote on the Senate floor by a filibuster. Now with 7 of the 10 Democrat-filibustered nominees re-nominated, the minority is making irresponsible threats to shut down the Senate if they cannot continue to block votes. This is an issue of fundamental fairness. All Senators have a constitutional duty to give advice and consent. The majority's efforts to restore more than 200 years of Senate precedent for up-or-down votes on judicial nominations will safeguard the balance of powers and will in no way affect legislative filibusters, which are grounded in Senate tradition. The legislative filibuster will remain unchanged if we are forced to use the constitutional option.

On energy, we should remind Americans that we offered a comprehensive, long-term strategy and that Democrats obstructed progress on the issue. We need to put our country on a path towards lowering our dependence on foreign sources of energy. The enclosed material is designed to assist you in communicating the message that we are committed to the dependable, affordable and environmentally clean production of energy for America's future.

The economy is benefiting from pro-growth policies passed by Republican leadership and over 3 million jobs have been created over the past 22 months. We should stress that we will not be satisfied until every American who wants a job can find a job. Republicans will create an environment to grow jobs by less taxation and litigation, sensible regulation, greater research and development, quality education and strong infrastructure during the 109th Congress.

For additional talking points and statistics, please visit the GOP TrunkLine at <<http://gop.senate.gov>> or the SRC website at <<http://src.senate.gov>>.

As always, please contact our staff if we can assist you in any way. Best wishes for a safe and enjoyable Recess.

Sincerely,

Handwritten signature of Rick Santorum in blue ink.
Rick Santorum

Handwritten signature of Kay Bailey Hutchison in blue ink.
Kay Bailey Hutchison



Senate Republican Conference Agenda

***Republicans are Committed to Providing:
Personal Security, Economic Freedom, and Opportunity
and Compassion for every American.***

Save and strengthen Social Security

Republicans will save and strengthen Social Security by protecting promised benefits for today's seniors and those nearing retirement while offering younger workers increased financial security through a voluntary personal retirement account - a nest egg they can call their own and pass on to their children.

It's your money

Republicans believe simpler, fairer and lower taxes will promote job creation.

Leadership in the war on terror to best defend America

American security is dependent on combating terrorism, promoting democracy worldwide and supporting a well-trained and well-equipped military and their families.

Deliver accessible, affordable and quality health care for all Americans

Republicans will ensure that patients have access to quality and more affordable health care while lowering the cost of health insurance, offering more choices for services and increasing coverage for the uninsured.

Stop abusive lawsuits now

Republicans will end personal-injury lawyers' frivolous lawsuits to save jobs and ensure fair compensation for true victims.

Fight poverty by empowering families in need

Republicans will alleviate poverty and strengthen families first by encouraging an ownership society, providing work opportunities and partnering with faith-based groups, community charities and businesses.

Promote good 21st century American jobs

Republicans will create an environment to grow jobs by less taxation and litigation, sensible regulation, greater research and development, quality education and strong infrastructure.

Lifelong learning for better jobs

Republicans will develop a lifelong approach to education, training and research that prepares all Americans for jobs of the future, promotes access to college and ensures accountability of federal dollars.

Clean energy for jobs and energy independence

Republicans are committed to innovative new technologies to develop America's energy resources that create jobs and reduce our dependence on foreign oil and gas while preserving the environment.

Cut wasteful spending and keep taxes low to create jobs

Republicans pledge to create jobs through responsible spending, deficit reduction and lower taxes.

Confirm fair judges through a fair process

Republicans will confirm judges who will follow the law - not make the law - by ensuring timely up-or-down votes for all nominees on the Senate floor.

Protect marriage for the good of families, children and society

Republicans will protect marriage - a core social institution - from redefinition by activist judges.

Judges





**FAIRNESS RULE FOR JUDICIAL NOMINATIONS
MAJORITY LEADER BILL FRIST PROPOSAL
April 28, 2005**

Guaranteed up or down votes on judicial nominations.

- Circuit Court and Supreme Court nominees will receive an up or down vote on the U.S. Senate floor.
- District Court nominees unaffected—no current problem.

Guaranteed debate time on judicial nominations.

- Up to 100 hours of debate.
- Allows all members an opportunity to have their say.
- This length of debate time was available for members post-cloture until 1986.

Guaranteed reporting from Judiciary Committee to floor.

- Process to ensure nominees come to the floor.
- Sen. Arlen Specter "protocols" are model.
- Committee serves critical investigative and oversight process, and that will continue.

Guaranteed fairness for Senators and nominees.

- No blockade at Committee.
- Full and comprehensive debate.
- Up or down vote on the Senate floor.

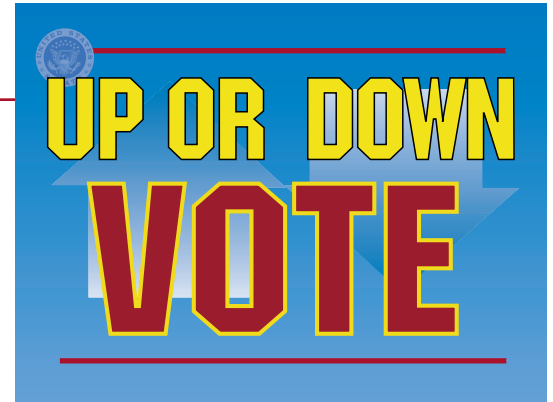
Guaranteed protection of the legislative filibuster.

- No changes for legislative matters—all rights of U.S. Senators for legislation preserved.

JUDGES: DEMOCRATS' UNPRECEDENTED OBSTRUCTION

Democrats' partisan obstruction of President Bush's judicial nominees is unprecedented.

- Never before has a judicial nominee with clear majority support been denied an up-or-down vote on the Senate floor.
- In 2003, the Democratic minority unilaterally changed the rules to require a new confirmation standard of 60 votes, instead of 51, for certain judicial nominees.
- A minority of Democrats used partisan filibusters to permanently block votes for 10 qualified, majority-supported appeals court nominees, and threatened 6 others.
- Now with 7 of the 10 re-nominated, the minority is making irresponsible threats to shut down the Senate if they don't get their way.



This is an issue of fairness and constitutional duty to provide up-or-down votes for all nominees who reach the floor.

- Every judicial nominee deserves a fair, up-or-down vote.
- All Senators have a duty to give advice and consent by voting yes or no.
- Republicans have devoted more than 150 hours to debating judicial nominees and tried repeatedly to reach a compromise that would allow up-or-down votes.

Ending judicial filibusters safeguards the balance of power and will not affect legislative filibusters.

- Constitutional principle demands that the Senate act to restore more than 200 years of precedent and guarantee fair treatment for all judicial nominees.
- The majority continues to support the legislative filibuster due to its longstanding place in Senate tradition, unlike the judicial filibuster, which always was rejected.
- The majority is committed to upholding the separation of powers and our system of checks and balances, which includes an independent judiciary.

FACTS ABOUT DEMOCRATS' PARTISAN FILIBUSTERS

Republicans' Exhaustion of Debate and Deliberation

- Republicans have sought only one thing in the standoff – a fair, up-or-down vote – but Democrats refuse to compromise.
- Democrats can't blame their partisan obstruction on a lack of deliberation. The Senate devoted far more time to debate in the 108th than any previous Congress.
- When asked how many hours Democrats needed to debate Priscilla Owen, Sen. Harry Reid said, "There is not a number in the universe that would be sufficient." (Congressional Record, April 8, 2003)

Bush's Historically Low Appeals Court Confirmation Rate

- Democrats' judicial filibusters target important appeals court nominations, second only to Supreme Court in their influence.
- Don't be confused by the Democrats' rhetoric that they approved the vast majority of Bush's judges – these are mostly district court nominations.
- Bush had the lowest first-term appeals court confirmation rate of any modern president – nearly one-third did not receive a vote, some waiting 3 or 4 years.

The Filibustered Nominees

- Every one of the filibustered judicial nominees has bipartisan, majority support and is well qualified to serve on the bench.
- All will make good judges who will follow the law, not make the law.
- Republicans will oppose Democrats' attempts to use ideological litmus tests to block qualified nominees.

Justice Priscilla Owen



5/9/2001	Nominated to U.S. Court of Appeals for the Fifth Circuit by President Bush
3/27/2003	Passed out of Senate Judiciary Committee with favorable recommendation
5/1/2003	Democrats refused to allow vote on nomination (cloture denied 52-44)
5/8/2003	Democrats refused to allow vote on nomination (cloture denied 52-45)
7/29/2003	Democrats refused to allow vote on nomination (cloture denied 53-43)
11/14/2003	Democrats refused to allow vote on nomination (cloture denied 53-42)

- Justice Priscilla Owen has served on the Supreme Court of Texas since 1995. In 2000, Justice Owen was overwhelmingly reelected to a second term on the Supreme Court, receiving 84 percent of the vote. During Justice Owen's 2000 re-election bid, every major newspaper in Texas endorsed her.
- Before joining the Texas Supreme Court, Justice Owen was a partner with the well-respected Texas law firm of Andrews & Kurth. She practiced commercial litigation for 17 years.
- Justice Owen earned a B.A. *cum laude* from Baylor University and graduated *cum laude* from Baylor Law School in 1977. After graduating from law school, Justice Owen earned the highest score in the state on the December 1977 Texas Bar Exam.
- Justice Owen has significant bipartisan support, including from three former Democrat judges on the Texas Supreme Court and a bipartisan group of 15 past Presidents of the State Bar of Texas.
- Justice Owen has devoted much of her life to serving her community. For example she has served as the liaison to the Texas Supreme Court's Mediation Task Force and to statewide committees on providing legal services to the poor and pro bono legal services. Justice Owen was also part of a committee that successfully encouraged the Texas Legislature to enact legislation that has resulted in millions of dollars per year in additional funds for providers of legal services to the poor. Justice Owen is a member of St. Barnabas Episcopal Mission in Austin, Texas, where she teaches Sunday School and serves as the head of the altar guild.
- Some interest groups have criticized Justice Owen's rulings in a small number of cases interpreting the "judicial bypass" provisions of a Texas parental notice abortion statute. By law, the Texas Supreme Court only hears cases arising under this law when lower courts have already refused to grant a judicial bypass to the notification statute. In some of those cases, Justice Owen agreed with the lower courts and voted to require notice to a parent. On other occasions, she voted to grant an exception to the parental notice requirement or to remand based on the facts of the case. She thus has voted to grant a judicial bypass more readily than the lower-court judges in these cases. Justice Owen was in the majority in 11 of the 14 cases. None of Justice Owen's opinions have questioned Roe v. Wade or the underlying rights that case recognized.



MYTH-FACT: JUDICIAL FILIBUSTERS

Myth: Senate Republicans Are Attempting To Abolish All Filibusters.

Fact: Republicans Are Seeking To Restore The Advice And Consent Constitutional Obligations Of The Senate For Judicial Nominees – Not Eliminate The Legislative Filibuster – Even Though Democrats Have Supported Abolishing All Forms Of Filibusters In The Past.

In 1995, Democrats (Bingaman, Boxer, Feingold, Harkin, Kennedy, Kerry, Lautenberg, Lieberman, And Sarbanes) Wanted To End The Legislative Filibuster. In 1995, the only Senators on record supporting the end of the legislative filibuster were all Democrats, nine of whom are still serving in the Senate. (Karen Hosler, "Senators Vote 76-19 To Maintain Filibuster," *The [Baltimore] Sun*, 1/6/95; S.Res. 14, CQ Vote #1: Motion Agreed To 76-19: R 53-0; D 23-19, 1/5/95, Bingaman, Boxer, Feingold, Harkin, Kennedy, Kerry, Lautenberg, Lieberman, and Sarbanes Voted Nay)

- **The Harkin-Lieberman Proposal Would Have Amended The Senate Rules To Allow A Simple Majority To Overcome "Any" Filibuster, Legislative Or Executive.** (Karen Hosler, "Senators Vote 76-19 To Maintain Filibuster," *The [Baltimore] Sun*, 1/6/95; S. Amdt. 1, Motion To Table Agreed To, 1/5/95)

Sen. Bill Frist (R-TN) Is Attempting To Restore Senate Traditions And End Filibusters Of Judicial Nominations Only, As Evidenced By The Frist-Miller Proposal. On May 9, 2003, Senators Frist (R-TN) and Miller (D-GA) introduced Senate Resolution 138. S. Res. 138 proposed to amend that Senate Rules so that majority-supported judicial nominations would eventually receive a floor vote, but the proposal only applied to the consideration of judicial and executive nominations. (S. Res. 138, Introduced 5/9/03)

- **In Fact, Sen. Frist's First Senate Vote In 1995 Was To Preserve The Legislative Filibuster.** (S.Res. 14, CQ Vote #1: Motion Agreed To 76-19: R 53-0; D 23-19, 1/5/95, Frist Voted Yea)

Myth: Democrats Treatment Of Bush's Nominees Is Analogous To Republicans Treatment Of Clinton's Nominees.

Fact: President Clinton's Judicial Nominees Were Not Filibustered And Never Before Has A Judicial Nominee With Clear Majority Support Been Denied An Up-Or-Down Vote On The Senate Floor By A Filibuster.

"[Harry] Reid And Company Have Used The Senate Filibuster Rule To Permanently Deny Votes To Nominees With Clear Majority Support. That's Never Been Done Before." (David Reinhard, Op-Ed, "Judge Not Lest Ye Be ... Filibustered," *The Oregonian*, 3/17/05)

- **In 1994, When The Democrats Controlled Both The Senate And The Executive Branch, President Clinton Confirmed A Record Number Of Federal Judges.** "President Clinton has gotten 129 federal judges confirmed by the Senate, more than any previous president during the first two years in office... 101 of his 129 judges were confirmed in 1994. That was the highest one-year total since Jimmy Carter won approval of 135 in 1979." (Michael J. Sniffen, "Clinton Outdoes Predecessors In Filing Judicial Vacancies," *The Associated Press*, 10/12/94)

During The 108th Congress (2003-2004), The Senate Voted On 20 Motions To Invoke Cloture And End Debate On 10 Different Judicial Nominees. The Average Vote To End Debate Was 53-43 – Enough Support To Confirm Each Nominee But Fewer Than The 60 Votes Required To End Debate. (CQ Vote #40: Motion Rejected 55-44: R 51-0; D 4-43; I 0-1, 3/6/03; CQ Vote #53: Motion Rejected 55-42: R 51-0; D 4-41; I 0-1, 3/13/03; CQ Vote #56: Motion Rejected 55-45: R 51-0; D 4-44; I 0-1, 3/18/03; CQ Vote #114: Motion Rejected 55-44: R 51-0; D 4-43; I 0-1, 4/2/03; CQ Vote #137: Motion Rejected 52-44: R 50-0; D 2-43; I 0-1, 5/1/03; CQ Vote #140: Motion Rejected 52-39: R 49-0; D 3-38; I 0-1, 5/5/03; CQ Vote #143: Motion Rejected 54-43: R 50-0; D 4-42; I 0-1, 5/8/03; CQ Vote #144: Motion Rejected 52-45: R 50-0; D 2-44; I 0-1, 5/8/03; CQ Vote #308: Motion Rejected 53-43: R 51-0; D 2-42; I 0-1, 7/29/03; CQ Vote #312: Motion Rejected 55-43: R 51-0; D 4-42; I 0-1, 7/30/03; CQ Vote #316: Motion Rejected 53-44: R 51-0; D 2-44; I 0-0, 7/31/03; CQ Vote #419: Motion Rejected 54-43: R 51-0; D 2-43; I 1-0, 10/30/03; CQ Vote #441: Motion Rejected 51-43: R 49-0; D 2-42; I 0-1, 11/6/03; CQ Vote #450: Motion Rejected 53-42: R 51-0; D 2-41; I 0-1, 11/14/03; CQ Vote #451: Motion Rejected 53-43: R 51-0; D 2-42; I 0-1, 11/14/03; CQ Vote #452: Motion Rejected 53-43: R 51-0; D 2-42; I 0-1, 11/14/03; CQ Vote #158: Motion Rejected 53-44: R 51-0; D 2-43; I 0-1, 7/20/04; CQ Vote #160: Motion Rejected 52-46: R 51-0; D 1-45; I 0-1, 7/22/04; CQ Vote #161: Motion Rejected 54-44: R 51-0; D 3-43; I 0-1, 7/22/04; CQ Vote #162: Motion Rejected 53-44: R 50-0; D 3-43; I 0-1, 7/22/04)

- **Numerous Clinton Nominees That Were Confirmed Received Less Than 60 Votes, And Partisan Filibusters Kept None Of These Nominations Off The Bench. (E.G., Judge Richard Paez, With 59-Vote Support; Judge William Fletcher, With 57-Vote Support; And Judge Susan Mollway, With 56-Vote Support).** (Sen. John Cornyn, "President's Nominees Deserve Up-Or-Down Vote, Sen. Cornyn Says," Press Release, 2/14/05; CQ Vote #40, Confirmed 59-39; R 14-39; D 45-0, 3/9/00; CQ Vote #309, Confirmed 57-41; R 14-41; D 43-0, 10/8/98; CQ Vote #166, Confirmed 56-34; R 14-34; D 42-0, 6/22/98)

Myth: The Senate Has Confirmed An Overwhelming Percentage Of President Bush's Judicial Nominees; Therefore It Is Not Problematic That A Democratic Minority Has Blocked 10 Nominations From Receiving A Floor Vote.

Fact: President Bush Has The Lowest Appellate Confirmation Percentage Of Any President. _

While Democrats Claim They Have Confirmed More Than 200 Of President Bush's Judicial Nominees, 10 of The 52 Nominees To The Circuit Court Of Appeals Were Filibustered. (Jesse J. Holland, "Senate Confirms First Judge Of Bush's Second Term," *The Associated Press*, 4/11/05)

President Bush's Confirmation Rate For Appellate Judges Is The "Lowest" Of Any Modern President. "A better figure would compare Bush's four-year appellate confirmation rate to recent presidents. According to the American Enterprise Institute's John Lott Jr., Bush's four-year rate was 69 percent, the lowest of any modern president. Bill Clinton's rate was 74 percent." (David Reinhard, Op-Ed, "Judge Not Lest Ye Be ... Filibuster," *The Oregonian*, 3/17/05)

Myth: Filibusters Of Judicial Nominations Are Part Of Senate Tradition.

Fact: Having To Overcome A Filibuster (Or Obtaining 60 Votes) On Judicial Nominations Is Unprecedented And Has Never Been The Confirmation Test For A Nominee – And In The Past, Even Democrats Have Called For Up Or Down Votes.

***Congressional Quarterly:* "Indeed, As Daschle's Whip, Reid Helped Orchestrate An Unprecedented Filibuster Of Some Of President Bush's More Conservative Judicial Nominees."** (Allison Stevens, "Senate Democrats Set A Daschle-Like Tone For 2005," *Congressional Quarterly*, 11/16/04)

***National Review's* Mark Levin: "Each Of These Candidates Reportedly Has Enough Votes For Confirmation, But For The Unprecedented Use Or Threat Of Filibusters. The Majority Has Every Right And Reason To Change The Rule."** (Mark R. Levin, Op-Ed, "Will On Filibusters," *National Review Online*, 3/21/05)

Sen. Patrick Leahy (D-VT) Previously Said He Would Fight Any Filibuster. "'I would object and fight against any filibuster on a judge, whether it is somebody I opposed or supported; that I felt the Senate should do its duty.'" (Sen. Patrick Leahy, *Congressional Record*, 6/18/98, p. S6521)

- **Leahy Declared: “Vote Them Up, Vote Them Down.”** “But I think they have given the President of the United States the benefit of the doubt, and if the person is otherwise qualified, he or she gets the vote. ... That is what the Constitution speaks of in our advise and consent capacity. That is what these good and decent people have a right to expect. That is what our oath of office should compel Members to do – to vote for or against. ... Vote them up, vote them down.” (Sen. Patrick Leahy, *Congressional Record*, 9/21/99, p. S11102)
- **Leahy Called Filibustering Judicial Nominations “Improper.”** “[E]arlier this year ... I noted how improper it would be to filibuster a judicial nomination.” (Sen. Patrick Leahy, *Congressional Record*, 10/14/98, p. S12578)
- **Leahy Said Promptly Confirming Judges Was Senate’s “Constitutional Responsibility.”** “We must redouble our efforts to work with the President to end the longstanding vacancies that plague the federal courts and disadvantage all Americans. That is our constitutional responsibility.” (Sen. Patrick Leahy, *Congressional Record*, 9/8/99, p. S10544)
- **Leahy: “Acting To Fill Judicial Vacancies Is A Constitutional Duty That The Senate – And All Of Its Members – Are Obligated To Fulfill. In Its Unprecedented Slowdown In The Handling Of Nominees In The 104th And 105th Congresses, The Senate Is Shirking Its Duty. This Is Wrong And Should End.”** (Sen. Patrick Leahy, *Congressional Record*, 7/17/98, p. S8477)

In 1998, Sen. Ted Kennedy (D-MA) Said: “We Owe It To Americans Across The Country To Give These Nominees A Vote. If Our Republican Colleagues Don’t Like Them, Vote Against Them. But Give Them A Vote.” (Sen. Edward Kennedy, *Congressional Record*, 2/3/98, p. S295)

Fmr. Senate Minority Leader Tom Daschle (D-SD) In 1995: “The Constitution Is Straightforward About The Few Instances In Which More Than A Majority Of The Congress Must Vote: A Veto Override, A Treaty, And A Finding Of Guilt In An Impeachment Proceeding. Every Other Action By The Congress Is Taken By Majority Vote.” (Sen. Tom Daschle, *Congressional Record*, 1/30/95, p. S1748)

- **Daschle: “The Founders Debated The Idea Of Requiring More Than A Majority ... They Concluded That Putting Such Immense Power Into The Hands Of A Minority Ran Squarely Against The Democratic Principle. Democracy Means Majority Rule, Not Minority Gridlock.”** (Sen. Tom Daschle, *Congressional Record*, 1/30/95, p. S1748)

Sen. Charles Schumer (D-NY) Said Government Does Not Fulfill Its “Constitutional Mandate” When Judicial Nominees Do Not Receive A Vote. “The basic issue of holding up judgeships is the issue before us, not the qualifications of judges, which we can always debate. The problem is it takes so long for us to debate those qualifications. It is an example of Government not fulfilling its constitutional mandate because the President nominates, and we are charged with voting on the nominees.” (Sen. Charles Schumer, *Congressional Record*, 3/7/00, p. S1211)

- **Schumer In 2000: “[W]e Are Charged With Voting On The Nominees. The Constitution Does Not Say If The Congress Is Controlled By A Different Party Than The President There Shall Be No Judges Chosen.”** (Sen. Charles Schumer, *Congressional Record*, 3/7/00, p. S1211)

Myth: The Nomination Of Abe Fortas Was Filibustered By Senate Republicans.

Fact: Abe Fortas’s Nomination Was Opposed By A Bipartisan Effort In The U.S. Senate And Was Headed For Defeat Because He Did Not Have Majority Support; Some Even Assert That Fortas’s Nomination Was Not Filibustered. The Fortas Case Was An Isolated Incident In 1968 That Cannot Be Compared To The Leadership-Driven, Wholly Partisan Filibusters That Have Been Used As An Instrument Of Party Policy To Block Bush’s Nominees.

Twenty-Four Republicans And Nineteen Democrats Voted Against Cloture.
(CQ Vote #255: Motion Rejected 45-43: R 10-24; D 35-19; 10/1/68)

Fmr. Dean Of Catholic University Law School, Douglas W. Kmiec, In A Footnote To His Testimony Before The Senate Committee On Rules And Administration, Noted: “The Nomination Of Justice Abe Fortas In 1968 Was Withdrawn, After It Was Clear That It Lacked Even Majority Support In The Senate.” (Douglas W. Kmiec, Committee On Rules And Administration, U.S. Senate, Testimony, 6/5/03)

***The Washington Times*: “There Is No Evidence That Fortas Would Have Received Majority Support In The Senate On An Up-Or-Down Vote.”** “Only Associate Supreme Court Justice Abe Fortas, whose 1968 nomination to be chief justice was briefly subjected to a bipartisan filibuster before it was withdrawn after a single cloture vote, failed to be confirmed. And with 19 Democratic senators voting against cloture, there is no evidence that Fortas would have received majority support in the Senate on an up-or-down vote.” (Editorial, “A Senatorial Bottleneck,” *The Washington Times*, 2/20/05)

Former Senator Robert Griffin (R-MI), A Leading Republican Opponent Of The Fortas Nomination, Asserted The Day After The Cloture Vote That Cloture Was Opposed Because Of Clearly Insufficient Time For Debate, That More Senators Were On The Record Against Fortas Than Were For Him, And That The Nomination Would Not Have Commanded Majority Support. (Sen. Robert Griffin, *Congressional Record*, 10/2/68, p. S29150)

- **Sen. Larry Craig (R-ID) Quoted A Letter From Former Sen. Griffin Which Stated That, “Four Days Of Debate On A Nomination For Chief Justice Is Hardly A Filibuster.”** “Having been on the scene in 1968, and having participated in that debate, I see a number of very important differences between what happened then and the situation that confronts the Senate today.” (Sen. Larry Craig, *Congressional Record*, 11/12/03, p. S14560)

Myth: The Constitutional Option Is Unprecedented.

Fact: Senate Democrats Have Used The Constitutional Option In The Past.

As Majority Leader, Sen. Robert Byrd (D-WV) Initiated Four Precedent-Setting Procedures That Allowed A Simple Majority To Change Senate Procedures Without Altering The Standing Rules, Thereby Undermining Minority Rights To Filibuster And Use Related Tactics. (Sen. Robert Byrd, *Congressional Record*, 1977, pp. S31916-27; Sen. Robert Byrd, *Congressional Record*, 1980, pp. S4729-32; Sen. Robert Byrd, *Congressional Record*, 1979, pp. S31892-94; Sen. Robert Byrd, *Congressional Record*, 1987, pp. S12252-60)

- **As Majority Leader in 1979, Senator Byrd Expressly Threatened To Use The Constitutional Option In Order To Leverage Successfully A Time Agreement On A Rules Change Resolution.** “Let the Senate vote on amendments, and then vote up or down on the resolution. ... If I have to be forced into a corner to try for a majority vote, I will [change the rules] because I am going to do my duty as I see my duty, whether I win or lose.” (Sen. Robert Byrd, *Congressional Record*, 1979, pp. S144-45)
- **Byrd Led The Creation Of Precedents In 1977, 1979, 1980 And 1987 To Stop Filibusters And Other Delaying Tactics Previously Allowed Under Senate Rules Or Precedents.** “Mr. Byrd led the charge to change the rules in 1977, 1979, 1980 and 1987, and, in some cases, to do precisely what Republicans are now proposing.” (Editorial, “Sen. Byrd On Filibuster-Busting,” *The Washington Times*, 3/7/05)

Myth: Democrats Merely Want To Express Their Opinions On The Judicial Nominations.

Fact: Democrats Are Filibustering Nominees In Order To Block Them Permanently – Not To Preserve Free Speech.

When Asked How Many Hours Were Necessary To Debate The Nomination Of Priscilla Owen, Sen. Harry Reid (D-NV) Answered, “There Is Not A Number In The Universe That Would Be Sufficient.” (Sen. Harry Reid, *Congressional Record*, 4/8/03, p. S4949)

By September 2004, The Senate Had Spent More Than 150 Hours Debating Judicial Nominations – More Than Any Previous Congress. (U.S. Senate Republican Policy Committee, “The Assault On Judicial Nominations In The 108th Congress,” 9/28/04)

The Senate Had 28 Months To Debate The Nomination Of Miguel Estrada Before It Was Withdrawn. “After remaining in limbo for 28 months while Democrats filibustered to block his approval, Estrada ... withdrew his name in September 2003.” (Tim O'Brien, “Hispanic Lawyers Line Up Behind Nominee For AG,” *The Legal Intelligencer*, 11/16/04)

Myth: Democrats Want To Continue Debating These Nominations So They Can Reach A Compromise With The Republican Majority.

Fact: The Democrats Have Threatened To “Shutdown The Senate” Rather Than Carry Out Their Constitutional Obligation To Provide An Up Or Down Vote On Judicial Nominees.

Sen. Harry Reid (D-NV): “[N]o Senate Right Is More Fundamental Than The Right To Debate. Should The Majority Choose To Break The Rules That Give Us That Right, The Majority Should Not Expect To Receive Cooperation From The Minority In The Conduct Of Senate Business.” (Sen. Harry Reid, Letter To Sen. Bill Frist, 3/15/05)

“This Month, Democrats May Use Procedural Tricks To Stop All Senate Business And Block A Republican Effort To Eliminate Minority Filibuster Rights ...” (Joe Klein, Op-Ed, “A New Idea For Democrats: Democracy,” *Time*, 4/11/05)

Social Security



FUNDAMENTAL POINTS TO STRESS WHEN DISCUSSING SOCIAL SECURITY

At first glance, Social Security reform is a complex and multi-dimensional issue. You might encounter citizens with questions that are often difficult to answer in simple, understandable language. Below is an outline to help you talk with your neighbors, based on what has worked best for your Senate Republican colleagues in previous listening sessions on Social Security.

Social Security Has To Be Fixed:

- Under the current system, your payroll taxes are immediately used to pay benefits for today's retirees.
- This "pay-as-you-go" system works when many people are paying in and few are collecting benefits. Such was the case in the 1950's when 16 workers paid into the system for every beneficiary.
- As a result, seniors are living longer and collecting more benefits. As a result, there are fewer workers paying into the system per retiree: 3.3 to be exact.
- In the future, there will be less than 2 workers per retiree. Under these conditions, the current system simply can't work.

The Details:

- In 2008, the first Baby Boomers will start collecting retirement benefits. The current surpluses will quickly dwindle and then turn to deficits.
- By 2018, Social Security will begin paying out more than it collects in taxes. The deficits will grow very large, very fast.
- If nothing is done, by 2042, benefits must be cut by one-quarter across the board, with more cuts to follow. Instead of cutting benefits by one-quarter, the payroll tax could be raised by one-third.
- If we continue postponing solutions, our only alternatives will be large tax increases or benefit reductions.

The Longer We Wait, the Worse It Becomes:

- Fixing Social Security is a challenge today. If we wait, it will become a crisis. The Baby Boomers will retire, the system's surpluses will disappear, and the only options will be large tax increases or benefit cuts.
- Whatever tough choices are involved today will only become tougher if we put off action.
- If we act today, changes can be phased in gradually over a number of years. If we fail to act today, our children and our grandchildren will be faced with changes that are large, abrupt, and unpleasant.

What About the Trust Fund?

- Surplus Social Security taxes are credited to the trust fund, but the taxes themselves are spent on other government programs.
- When it comes time to repay the trust fund, the government must raise taxes, cut spending, or run a budget deficit—exactly the same choices as if we didn't have a trust fund at all.
- The trust fund doesn't contain real savings. It is a collection of IOU's the government has written to itself.
- These IOUs do physically exist: as a set of IOU documents in a three drawer file cabinet in Parkersburg, West Virginia.
- When it comes to paying benefits, the trust fund is an empty promise.

How Personal Retirement Accounts Work:

- Workers could invest a portion of their Social Security taxes in an account similar to an IRA. Accounts would be managed by an independent agency like the Federal Reserve to avoid political interference or high Wall Street management fees.
- Investments would be limited to a diversified, low-cost mix of bond funds and stock funds. Workers couldn't take their accounts to Vegas to shoot dice.
- Remember that these accounts would be voluntary. For those first-time investors who choose to participate, it would be a simple, low-risk opportunity to build a nest-egg.
- At retirement, account balances would pay a portion of a worker's Social Security benefits, with the rest coming from traditional programs.
- Retirees couldn't draw down their balances all at once; a minimum income must be guaranteed.
- Personal accounts alone won't fix Social Security; other changes will be needed. However, they are critical to any effective plan to put Social Security on a strong foundation of real savings.
- All Federal employees—including myself—participate in such a program. It's called the Thrift Savings Plan (TSP). I believe if it's good enough for Congressman, it's more than good enough for the American people.

Personal Retirement Accounts: A Better Way to Save

- Personal accounts would be a better way to save for Social Security's future.
- Personal accounts would "take away the cookie jar" from Congress; surplus Social Security taxes would be saved to pay benefits, not siphoned off to pay for other things.
- Personal accounts put money where workers can watch it and the government can't spend it.
- This is about getting your money out of Washington and into your personal accounts that will build your retirement nest-egg.

Ownership:

- Under today's Social Security, there's no account holding your retirement money. With personal accounts, you will have a nest-egg in your own name, belonging to you.
- Personal accounts give all workers ownership. When people own things, they pay more attention and are more engaged in decisions that affect their lives.
- Never forget that this money does not belong to Washington politicians, this is your (your children and your grandchildren's) money for your (their) retirement; personal accounts build a nest-egg for you (or your children and your grandchildren).

Returns and Benefits:

- Personal accounts would give workers the chance to earn higher rates of return—and receive higher benefits—than the current system can afford to pay.
- Workers could choose to invest only in guaranteed government bond funds, or a mix of corporate bond funds and stock funds if they wished to take more risk in exchange for a higher return.
- However, highly risky investments would not be allowed. Plus, accounts would automatically shift from stocks to bonds as workers neared retirement, so a stock drop just prior to retirement wouldn't have great effect.

Social Security Reform: Important for Today's Seniors

- For current and near retirees, nothing will change for you; your benefits will be paid, on time and in full, with no changes whatsoever.
- Seniors should be part of the debate. Every system can be improved, and seniors' knowledge and experience is essential if Social Security is to be saved and strengthened for future generations.
- For retirees and near-retirees, the debate isn't about their own benefits, it's about the kind of system they want their children and grandchildren to have – one that is stable, funded, and growing, or one that will collapse before your children retire.

Conclusion:

- A Social Security system that was designed for the world of 1935 will not work in the world of 2035 and beyond. Changes must be made, and the sooner we act, the more successful they will be.
- If Social Security were being created from scratch today, we would surely include a way to help everyone build up a nest egg that is owned by workers and couldn't be spent by politicians.
- A reform plan incorporating personal retirement accounts builds on the values of Social Security's past, but modernizes the program for the future.

TRIED AND TRUE RESPONSES TO YOUR CONSTITUENTS' QUESTIONS ON SOCIAL SECURITY

During question and answer sessions with your neighbors, constituents are likely to ask a variety of tough questions and make some potentially critical comments — many of them based on false information disseminated by the opponents of change.

Below is a list of possible questions and comments along with some responses that have worked in similar settings:

Comment: It seems to me that you just want to privatize Social Security.

Response: I don't want to privatize social security. Privatization is a scare-word being used by the opponents of change. What I *do* want to do is create a system of personal accounts for younger workers to go along with Social Security's guaranteed benefit. Congress has borrowed from the trust fund in the past, and should be prevented from doing so in the future. This reform goes far towards doing that.

I've heard that Social Security will have enough money to pay full benefits until 2052, and then enough to pay 80% of benefits after that. Why rush into action?

Most people believe it will run out of money sooner. The time to act is now. Then this could be expanded.

Can't we fix Social Security by making moderate adjustments?

I agree. We need to make moderate adjustments, just like the ones we're discussing today. We can't keep postponing solutions. But many moderate adjustments are just band-aids. We also need serious reform aimed at the root of Social Security's ills.

Wall Street and the fat cat lobbyists are for the President's plan.

When I'm sick, I'm OK paying my doctor to help me get well. It's the same thing for planning for retirement. I'm fine with finding someone to help me manage my money as long as I know I will be financially secure when I get old.

We should raise the cap on payroll taxable wages to \$150,000+.

Why raise the cap when Congress will just spend the money on other programs, just like Washington does now with the trust fund? Raising taxes doesn't solve the problems—it just sweeps them under the rug for a while.

The President is proposing massive benefit cuts, up to 46% for today's younger workers.

Social Security benefits should be fair and consistent from one generation to the next. When a program is scheduled to grow at one rate, and you propose to have it grow at a slower rate or not at all, that is not a benefit cut. It's important when structuring benefits to ensure the elderly are protected from inflation. This reform keeps that protection.

This plan puts a huge burden on our children and grandchildren. The transition to the new system will cost \$2 trillion over the next decade.

Failing to implement this plan will put an even bigger burden on our children and grandchildren as more and more Baby Boomers retire. Every year we don't act adds another \$600 billion on to the problem.

The President's plan is a bad bet. Instead of knowing how much you get when you retire, you will completely be at the mercy of the stock market. They will cut the benefits of everyone who takes part in privatization. Estimates are that half of all workers would end up worse off than in the current system.

You will have the choice of voluntarily investing a portion of your Social Security taxes in just a handful of bond and stock funds. No one is forcing anyone to participate in this new program. If you don't want to participate, you can continue to pay into Social Security like you've been doing. I for one, will be one of the first in line for the new program.

What about people who do not know how to invest?

First, we won't let people take their accounts to Las Vegas to shoot dice. Second, there will only be a handful of safe investment choices. Third, we should offer citizens basic investment courses presented by local Social Security Administration officials and respected financial educators. Fourth, if you're still not comfortable with the program, you don't have to participate.

Among the small number of safe bond and stock funds younger workers can actively select from, one of these will be an "automatic" option. If you are not comfortable making investing decisions yourself, you can choose this particular option, and the investment decision will be made for you, based upon where you are in the life cycle.

If this plan goes forward, drastic changes will go into effect very soon.

These changes will be phased in gradually, over the course of many years. Making sudden changes would be wrong. It would be unfair to all those Americans who have been promised benefits.

It seems like this is just tossing out the old Social Security system and replacing it with a totally new one.

We must make adjustments to keep Social Security working for the next several decades, but we certainly don't need to replace it entirely. Rather, we're reinventing the system for the realities of the twenty-first century.

If we can't trust politicians to balance the budget, how can we trust them to fix Social Security?

You're right. We can't trust Congress to keep its sticky fingers out of the cookie jar. That's why more of your retirement money has to stay in your hands, not the government's. Personal retirement accounts will stop the government from spending *your* retirement savings.

What about the effects of changing Social Security on those of us who are in our late 40's or early 50's?

Just because people over 55 won't be affected, doesn't mean people right under 55 will be dramatically affected. Small difference in age will mean only small changes to you. Again, these changes would be voluntary. If you want to stay with the old system, you can.

I heard I might be forced to buy an annuity when I retire with the money in my personal account. It doesn't sound like it is really my account if the government is telling me exactly what to do with it.

This annuity protects people from blowing all their money at once when they retire—and forcing the rest of us to bail them out. As long as your Social Security benefit, plus the annuity, add up to a guaranteed monthly benefit, you can do whatever you want with the surplus in your personal account.

Question: How would stock market downturns affect personal accounts? What happens if there's another Enron?

Response: The personal accounts would consist of diversified mixes of hundreds—maybe even thousands—of stocks and bonds. The volatility of individual stocks would not prevent growth. The Congressional Research Service just released a study that found that over the last 41 years, a diversified portfolio outperformed Social Security not just over the long-term, but also in each of the years, individually.

If investing is such a good idea, why can't the government just invest our current Social Security funds in the stock market for us?

Some people have proposed this, but I think it's a bad idea. Let me tell you why. If we changed the law to allow government investment in the stock market, the government would begin to have an interest in the activities of the companies it invested in. And who would decide what stocks the government could buy or sell? These are decisions I want to make for myself. What could happen if the government began to own controlling shares in American companies? By virtue of owning such huge chunks of stock, it would have unfettered power in some of our largest corporate boardrooms. There's a word for government control of private entities—communism. I don't think that's the way we want to go.

Will there be an absolute guarantee that people will not lose money?

What's that old saying about the only guarantees in life being death and taxes? There's no way to guarantee anything—except that Social Security won't be there for my kids the way it has been for their grandparents unless we do something. History shows that long-term investments in stocks and bonds are good ways to build a nest egg. That's what personal accounts will offer people.

Do Federal employees participate in Social Security the way non-Federal employees do?

Yes, all workers, federal or not, participate in regular Social Security the same way. But they also participate in a plan that is a lot like the personal accounts we're talking about. It's called the Thrift Savings Plan. It's a benefit federal employees receive on top of regular Social Security. Under the program, a monthly contribution is invested in one of a group of funds at the employee's discretion. An account is kept in the employee's name, and can only be withdrawn from at retirement. Ask your postman about it...chances are he's been contributing for years.

How do you solve the problem of transition costs?

We all know this will be an expensive problem to fix, and it will only get more expensive if we put it off. The Social Security trustees have estimated that the cost of inaction each year is about \$600 billion. We already know that we will have a \$10 trillion shortfall beginning in 2018. When you hear from critics that the President's plan will cost \$2 trillion dollars, that money is a part of what we already know we will owe. That figure is not based on any set of proven facts.

The President's Administration has some ideas for how to pay transition costs. He has proposed that voluntary personal accounts be funded initially by borrowing about \$750 billion for the next 10 years. Other components of the plan would aim to reduce the impact of the transition. There is no doubt that we would be better off in the long run if we act now.

Is the government going to slap a bunch of fees on the accounts?

There will be small costs for administering accounts, but the system will be a whole lot more efficient than the current one. Social Security's independent actuaries have estimated that administration costs could be as low as 3 cents on every \$100 of assets managed.

How would this plan affect a private sector worker who maxed with their 401K plan?

The creation of personal retirement accounts would have no effect on anything other than Social Security. Other retirement planning tools would continue regardless of what happens.

Who's going to pay the taxes for the Social Security disability and dependant benefits?

People will still be paying into traditional Social Security. Only a fraction of each worker's income would be eligible for personal investment accounts. Money would still be in the system to pay disability, dependent, and survivor benefits.

The AARP says you're gambling with Social Security. What do you have to say to that?

I say that we're doing exactly the opposite. The only real gamble here is doing nothing. Every year we wait to fix the system, we rack up another \$600 billion in debt. Now's the time for a safe, sensible solution.

Will you side with the President to raise taxes?

Well, the President has said that all options are on the table. Democrats won't even sit down at the table. They won't even negotiate. I just want to make sure that Social Security is there for my grandkids. I'm willing—as is the President—to do what it takes. I'm not interested in raising taxes that won't fix the problem or will hurt the economy.

Will you increase the retirement age?

As you know, the retirement age is rising slowly from 65 to 67 over time, and we're still in a pickle. I don't know if raising the retirement age should be part of the solution, but as the President has said, everything is on the table. I do know that raising the retirement age doesn't do anything to fix the heart of Social Security's problems. It's more of a band-aid than anything else.

How do we know the government won't raid our private accounts like they do with the "Trust Fund"

This is a great question because it strikes at the heart of the debate. As it stands, your payroll taxes go into the government's general coffers...there's really no trust fund. Rather, there's simply a set of IOU's the government has written to itself. With personal retirement accounts, your tax dollars will go into an individual account with *your* name on it. The government simply won't be allowed to touch it.

Couldn't we just raise the taxable earnings limit from \$90,000 to say \$120,000? Or why don't we raise the payroll tax rate?

Well, just like raising the minimum retirement age, raising the taxable earnings limit or the payroll tax rate are merely band-aids. They might very well be part of the solution, but they just don't fix the fundamental flaws in the system. Many economists estimate that if you lift the cap totally you only prolong Social Security's life an added 6 years. I'm not willing to kick the can down the road for that short amount of time.

PARTY OF NO WON'T WORK WITH PRESIDENT BUSH TO STRENGTHEN SOCIAL SECURITY

Democrats Have Other Priorities Than Social Security:

Rep. Loretta Sanchez (D-CA) Said She's Got "More Important Things To Ask About Than This Silly Social Security Thing." "Rep. Loretta Sanchez (D-Calif.) managed to stir up some trouble last week at the Joint Economic Committee hearing chaired by Rep. Jim Saxton (R-N.J.). Testifying before the committee was Harvey Rosen, chairman of the Council of Economic Advisers. Sanchez was evidently fed up with the contents of the hearing. 'I've more important things to ask about than this silly Social Security thing,' she said." ("Capital Living," *The Hill*, 4/20/05)

Sen. Hillary Clinton (D-NY): "Social Security Is A Problem, But It's Not In My Top Five ..." (Thomas M. DeFrank, "Party's Gotta Fight Back, Sez Hillary," *New York Daily News*, 4/12/05)

Senate Minority Leader Harry Reid (D-NV): "[S]ocial Security Is Not In Crisis." (CBS's "Face The Nation," 4/10/05)

Instead, Democrats Choose To Stand In The Way Of Republican Attempts To Strengthen Social Security:

"Congressional Democratic Leaders Believe They Are Winning The Political Fight Over Social Security, Mainly By Criticizing Bush's Idea For Accounts, And Are Lobbying Their Members Not To Offer Any Concrete Proposals." (Jim Vandehei, "Panel May Take Lead On Social Security Plan," *The Washington Post*, 4/17/05)

House Minority Leader Nancy Pelosi (D-CA) "Has Ordered House Democrats To 'Oppose, Not Propose,' Changes To Social Security, According To A Well-Placed Democrat." (Jonathan Kaplan, "Dean Slams Bush On Town-Hall Meetings," *The Hill*, 3/10/05)

- **Pelosi Said Democrats "Are United" Against President's Social Security Plan.** (David Espo, "Democrats: Social Security A Distraction," *The Associated Press*, 2/1/05)

Rep. Charles Rangel (D-NY) Said President's Plan For Social Security Is "Dead." "Meanwhile, the top Democrat on the House Ways and Means Committee said Bush's plan to overhaul the Social Security system is 'dead,' even before the proposal has been sent to Congress. At the start of the panel's hearing with Snow, Rep. Charles Rangel, D-N.Y., questioned the seriousness of the White House's commitment to changing the nation's retirement system. 'If you were serious about it, you would have included it in the budget,' Rangel said." (William L. Watts and Greg Robb, "Social Security Looms Over Budget," *CBS MarketWatch*, 2/9/05)

Sen. Byron Dorgan (D-ND): "We've Got To Fight On This Issue, And We've Got To Wage An Aggressive Fight." (Sheryl Gay Stolberg, "For Democrats, Social Security Becomes A Defining Test," *The New York Times*, 1/29/05)

Democrat Aides Admit Party Has No Plan For Social Security, And Will Not Offer Any. “House and Senate Democrats have decided against introducing an alternative Social Security reform plan yet, preferring instead to focus attention and criticism on President Bush’s proposals, according to a number of senior Democratic aides.” (Patrick O’Connor, “For Now, Dems Will Offer No Social Security Reforms,” *The Hill*, 2/8/05)

“[A]s The President Spoke In The House Chamber, Several Democrats Hissed And Rumbled ‘No, No, No’ During Some Of His Assertions About Social Security.” (Charles Babington and Mike Allen, “Bush’s Address Wins Over Few, If Any, Democrats,” *The Washington Post*, 2/3/05)

Sen. Bill Nelson (D-FL) Promised To Be A Vocal Critic Of The President’s Social Security Plan. “Nelson said he will support Bush on issues such as funding for the Iraq war but will be vocal against Bush’s Social Security plan. The president, he said, needs to negotiate, not dictate, to Congress. ‘I want to see him reach out and start working with the legislative branch and understand the Constitution says you have to govern working with the legislative branch.’” (Tamara Lytle, “Bush Will Feel The Heat After Speech,” *The Bradenton [FL] Herald*, 2/1/05)

Even Democrats Say Their Party Has To Stand For Something:

Gov. Bill Richardson (D-NM): “We Can’t Just Attack The President At Every Turn ... We Have Got To Stand For Something.” (Tom Verdin, “N.M. Gov.: Dems Must Connect With Values,” *The Associated Press*, 4/19/05)

Democrat Strategists James Carville And Paul Begala: “[T]he Biggest Problem The Democrats Face Is Not That They’re Seen As Standing For Too Many Liberal Issues Or Standing For Too Many Conservative Positions. It’s That Democrats Aren’t Seen As Standing For Anything.” (James Carville and Paul Begala, Op-Ed, “Democrats Must Change Everything,” *USA Today*, 4/20/05)

Rep. Harold Ford Jr. (D-TN): “[T]he Democrats Are Going To Have To Get A Better Message On Social Security ... Our Only Response Cannot Be To Say, ‘No.’” (Chuck Babington and Mike Allen, “Bush’s Address Wins Over Few, If Any, Democrats,” *The Washington Post*, 2/3/05)

Harold Ickes, Clinton White House Deputy Chief Of Staff: “[I]f The Democratic Position Is We Can’t Have Private Accounts But Also Can’t Have An Increase In The Cap [On Earnings Subject To The Payroll Tax] Or The Retirement Age, That May Be A Difficult Position To Sustain.” (Dan Balz, “Social Security Stance Risky, Democrats Told,” *The Washington Post*, 3/8/05)

Marshall Wittmann, Democratic Leadership Council: “At Some Moment Democrats Will Have To Recalibrate Their Strategy.” (Dan Balz, “Social Security Stance Risky, Democrats Told,” *The Washington Post*, 3/8/05)

Edward Lorenzen, Executive Director Of Centrists.org: “[I] Think There Is A Real Danger That If Democrats Are Perceived As Simply Defending The Status Quo, That Will Be Damaging To Them Politically.” (Luiza Ch. Savage, “Silence Is Rule In Fight Over Social Security,” *The New York Sun*, 3/9/05)

Sen. Joe Lieberman (D-CT): “It’s Not Enough To Oppose The President’s Privatization Plan ... We’ve Got To Come Up With An Alternative To Protect Social Security.” (Dan Balz, “Social Security Stance Risky, Democrats Told,” *The Washington Post*, 3/8/05)

AMERICANS WANT CHANGE ON SOCIAL SECURITY

April 11, 2005

Americans Want Congress to Address Social Security. A recent CNN/ *USA Today*/Gallup poll found 79% of Americans think Social Security is an "extremely" or "very" important issue for Congress to deal with. The poll also found **61% of Americans think political leaders are moving too slowly to change Social Security.**

Similarly, a recent NBC News/ *Wall Street Journal* poll said 54% of Americans believe Social Security is in crisis or serious financial trouble. Also, NBC found a plurality, 47%, think Congress is spending too little time dealing with the issue.

Americans Support Personal Retirement Accounts. Several national polls found a majority of Americans support Personal Retirement Accounts. A recent FOX News poll found **60% favor giving workers the opportunity to invest a portion of their Social Security contributions in stocks or mutual funds.** Support for personal retirement accounts is above 50% among all age groups and **two-thirds of those under 45 years of age support PRAs.**

FOX News Poll, March 29-30

Age	Support PRAs	Oppose PRAs
< 30 years old	76%	16%
30-45 years old	65%	24%
46-55 years old	54%	33%
> 55 years old	56%	31%
All Voters	60%	28%

A recent Moore Information poll also found a majority of Americans in favor of Personal Retirement Accounts. 52% support "allowing workers to redirect a portion of their Social Security taxes into voluntary personal retirement accounts that include stocks and mutual funds," while 36% oppose the plan.

Americans Express Confidence the President's Leadership. The same CNN/ *USA Today*/Gallup poll found Americans express confidence in the President's leadership. 56% of Americans believe the President is honest and trustworthy, 55% believes he shares their values, and 53% believe he cares about the needs of people like them, the highest since June 2003.

CNN/USA Today/Gallup Poll, April 1-2

Age	Applies	Doesn't Apply	Change since Feb.
Honest and trustworthy	56%	42%	-1
Shares your values	55%	43%	+5
Cares about the needs of people like you	53%	46%	+15

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Fixing Social Security Now

Today's Presidential Action

- **Today, President Bush Visited The Bureau Of Public Debt In Parkersburg, West Virginia, And Called On Congress To Act Now To Save Social Security For Future Generations.** The President believes that the retirement security of our children and grandchildren should be controlled by the American people – not by a government program that can't keep its promises to future generations.
- **When People Refer To The Social Security Trust Fund, They're Talking About IOUs The Federal Government Is Writing To Itself.**
 - ✓ **No Money Has Been Saved To Fund Future Benefits.** There is no "trust fund" – just IOUs the Federal government has written to itself. What's left are roughly 200 pieces of paper, each one representing a multibillion-dollar Special Issue U.S. Treasury Bond.
 - ✓ **The Government Has Borrowed \$1.7 Trillion From The Social Security Trust Fund.** This is the total value of the paper promises in the Trust Fund, and money that is not readily available to pay benefits because it has been loaned to the Treasury to pay for other government spending.
 - ✓ **Funding Social Security With Bonds The Government Loans Itself Is Like Paying Off Your Mastercard With Your Visa.** Beginning in 2017, the government will have to back up these pieces of paper with real money, and that will ultimately result in higher taxes, reduced benefits, increased debt, or cuts to other critical government programs.

Background: Social Security Faces Real Problems

- **Social Security's Problems Must Be Dealt With Now.**
 - ✓ **There Are More People Collecting Benefits.** As the Baby Boom generation begins retiring in 2008, there will be a dramatic rise in the number of retirees. Furthermore, people are living longer than when the system was created. Social Security is a pay-as-you-go system that leaves workers with IOUs, not real ownership in voluntary personal accounts.
 - ✓ **Benefits Are Growing Faster Than Inflation.** Today's 20-year-olds are promised benefits 40-percent higher than seniors retiring today.
 - ✓ **Fewer Workers Are Supporting Each Retiree.** In 1950, there were 16 workers for every retiree. Today, there are 3.3 workers for every beneficiary. By the time today's 20-year-olds retire, that number will drop to 2 workers for every beneficiary.
 - ✓ **These Problems Signal A Looming Crisis.** Only a very narrow window to solve this problem remains. In 2008, the first Baby Boomers will begin to retire, putting added strain on the system. In 2017, the system will begin paying out more than it takes in. This will ultimately mean drastically higher taxes, reduced benefits, increased debt, or cuts to other critical government programs. Doing nothing today will cost more than \$11 trillion. Every year we delay acting costs taxpayers an additional \$600 billion.
- **The President Has Laid Out Basic Principles That Must Guide Reform.**
 - ✓ **No Changes For Those Born Before 1950.** Those who are at or nearing retirement will see no changes to their Social Security benefits, but they too want to see the system strengthened for their children and grandchildren. The President welcomes the wisdom of seniors and their input on how to save Social Security for future generations.
 - ✓ **We Must Fix Social Security Permanently.** The President wants to fix Social Security once and for all so that our children and grandchildren do not face these same problems.
 - ✓ **No Increase In Payroll Tax Rates.** Increasing the payroll tax rate would burden workers and harm our economic strength.

White House Office Of Communications

➤ **Voluntary Personal Retirement Accounts Are A Key Component Of Reform.**

- ✓ **Voluntary Personal Accounts Allow Younger Workers To Create A Nest Egg For Retirement That Can Never Be Taken Away By The Government.** Voluntary personal accounts allow younger workers to save a portion of their payroll taxes in an account that they own and control.
- ✓ **Voluntary Personal Retirement Accounts Give Younger Workers A Chance To Earn A Better Return On Their Money.** If a young person earns an average of \$35,000 a year during his or her career and contributes the maximum amount to a voluntary personal account each year, he or she can expect to have nearly a quarter of a million dollars saved by retirement.
- ✓ **Voluntary Personal Accounts Could Be Passed On To Children.** Voluntary personal accounts will give workers an opportunity to build a nest egg and pass on the wealth they have built up to their spouse or children.
- ✓ **Voluntary Personal Accounts Could Only Be Safely Invested.** The accounts could be invested only in a limited number of secure bond and stock-index funds, including a life-cycle fund designed to protect workers from sudden market changes on the eve of their retirement.

A Rigged “Calculator”

Democrats harness false assumptions to generate projections that individual Social Security accounts would be losers.

April 12, 2005



Summary

Democrats have been using a web-based “calculator” to generate individualized answers to the question, “How much will you lose under Bush privatization plan?” For young, low-wage workers it projects cuts of up to 50% in benefits. And a \$1-million TV advertising campaign is amplifying the claim, saying, “Look below the surface (of Bush’s plan) and you’ll find benefit checks cut almost in half.” In fact, the calculator is rigged. We find it is based on a number of false assumptions and deceptive comparisons. For one thing, it assumes that stocks will yield average returns of only 3 percent per year above inflation. The historical average is close to 7 percent. The calculator’s authors claim that they use the same assumption used by the Congressional Budget Office. Actually, CBO projects a 6.8 percent gain.

Analysis

The “Social Insecurity” [calculator](#) first appeared on the Senate website of Democratic leader Harry Reid of Nevada.

By our count, various versions of it are appearing currently on the websites of 16 Democratic senators and the [website](#) of Americans United to Save Social Security, which is a coalition that includes the AFL-CIO and Moveon.org. But it is an artful bit of automated misinformation.

To their credit, the authors of the calculator state their basic assumptions clearly for anyone wishing to read and analyze the [fine print](#), which is more than we can say for a number of other web-based calculators we’ve seen. So, read the fine print we did.

Lowballing Stock Gains

One thing we found is that the calculator systematically underestimates the likely returns of investments. It says “**The calculator assumes that your investments get a rate of return of 3 percent above inflation**,” a figure most financial advisers would find absurdly low. As we’ve pointed out [before](#), **the stock market has averaged 6.8 percent above inflation for the past century**. Independent economists consulted by the bipartisan Social Security Advisory Board in 2001 said stocks might not do quite so well in the future, but their range of estimates was still between 5.5 percent and 6.5 percent -- or roughly double the figure used by the Democrats’ rigged calculator. Peter A. Diamond, Professor of Economics at the Massachusetts Institute of Technology, told FactCheck.org, “values around 6.0% or 6.5% seem to me appropriate for projection purposes.” John B. Shoven, Professor of Economics at Stanford University, wrote, “My own estimate for the long-run real return to equities looking forward is 6 to 6.5 percent.” And the lowest estimate came from John Y. Campbell, Professor of Economics at Harvard University. He wrote that “A rough guess for the long term . . . might be a geometric average equity return of 5 percent to 5.5 percent.” Compounded yearly over a working lifetime, even a 5 percent return would produce vastly higher benefits than a 3 percent return.

Source: Factcheck.org

What CBO Says

To justify their lowball 3 percent figure, the calculator's authors state that it is "the same assumption used by the CBO for its Social Security analysis." That's not entirely true.

It's a fact that the Congressional Budget Office did publish a study of a proposed system of individual accounts in which it used a "risk-adjusted" figure of 3 percent for one part of its analysis. But in another part of the same study the CBO assumed that stocks would return an average of 6.8 percent. A series of 500 different computer simulations of possible future outcomes showed a very low likelihood that actual future returns would be as low as 3 percent, and a decent probability that returns would be even better than 7 percent.

The "risk-adjusted" figure is an arcane concept that we won't attempt to dissect here, except to say that it is essentially equal to the expected return on risk-free, interest-bearing Treasury securities. And by using that figure in one set of calculations, CBO was not predicting stock gains of a measly 3 percent over inflation. That would be a massive turn for the worst in the economy.

Just to be sure about that, we checked with the CBO's director, Douglas Holtz-Eakin:

FactCheck.org: Does CBO's use of a 3 percent "risk-adjusted" figure constitute a prediction by CBO that equities (stocks) will return only 3 percent in the future?

Holtz-Eakin: That's the way its been portrayed. **That's wrong. We assume that equities will return 6.8 percent in the future.**

ProtectYourCheck.org Ad "Life Line"

Announcer : It's just the tip of the iceberg that threatens your retirement. The plan that George Bush and his backers in Congress have to privatize Social Security. Look below the surface and you'll find benefit checks cut almost in half. Five trillion dollars in new debt. The retirement you're earning. . . taken away. For 70 years Social Security has been America's lifeline. Don't let their privatization plan cut it. Call Congress. The Social Security you earned isn't theirs to take.

"Cut almost in half?"

The same kind of skewed calculations are also being used in a current TV ad being run by a new organization, "ProtectYourCheck.org," headed by Harold Ickes, the former Clinton deputy who ran the massive Media Fund campaign against Bush during the 2004 campaign. The latest ad says of Bush's Social Security plan, "Look below the surface and you'll find benefit checks cut almost in half." To back up that claim, the Ickes organization cites the CBO analysis using the "risk-adjusted" figure, ignoring other CBO projections using the more realistic 6.8 percent assumption.

What Cut?

Both the calculator and the ad also employ other misleading assumptions. Both assume that Bush's plan involves pegging the rise in future benefits to prices, rather than to wages as under current law. Because prices rise more slowly than wages, that would indeed produce future benefit levels that are lower than currently promised, essentially freezing benefits at the buying power they have today. The current system of "wage indexing" is expected to push the purchasing power of future benefit levels to nearly double what they are today over the next 75 years.

However, whether freezing benefit levels at their current buying power would thus constitute a "cut" is debatable, to say the least. In fact, Bush hasn't actually proposed "price indexing" or any other specific plan to restore solvency to the system. He has ruled out tax increases, implying he'd lean most heavily if not entirely on holding down benefit growth.

Compared to What?

Both the ad and the calculator use benefits promised under current law as their basis for comparison, but they fail to mention that current tax rates can't support those benefit levels beyond 2041.

According to the latest [projection](#) of the Social Security trustees, benefits would then have to be cut 26 percent at that time, and that reduction would grow every year thereafter. Compared to the actual level of benefits that can be supported by the current system, Bush's supposed "cuts" would be much smaller.

Put another way, maintaining benefit growth at the level assumed by the calculator and the ad would require a tax increase, something not mentioned.

And For Whom?

The ad also fails to mention whose benefits would be "cut almost in half." Actually, no cuts are proposed for anyone currently getting benefits, something the ad fails to make clear. The calculator is better on this score. It simply won't work for anyone who types in a birthday before 1950. The ad, however, invites current retirees to believe that their benefits would be cut, which is false.

Even accepting the dubious assumptions of the calculator, getting it to produce a "loss" as big as 50 percent requires using a birthday of 2005. In other words, the only persons whose benefits would be "cut" by "half" won't be retiring for another 65 years or so.

An Uncertain Future

We take no position on whether individual accounts are a good idea or a bad idea, and nothing here should be taken as an endorsement or as opposition. Opponents are correct to point out that the future returns of investments are uncertain. In our Feb. 3 [article](#) we faulted President Bush for saying accounts "will" grow fast enough to provide a better return than the present system. Nobody can guarantee that. It is within the realm of possibility that for the next 75 years stocks will actually produce a miserable 3 percent return, as the Democratic calculator assumes. But history offers no support for such a pessimistic prediction, and neither do economists consulted by the bipartisan advisory board to the Social Security system.



What We Can Learn From The 2005 Social Security Trustees' Report

The 2005 Social Security Trustees' Report comes at a time when public attention has focused on the problems and challenges facing Social Security. A look at the data in that report leads to a clear conclusion: The Social Security program remains on an unsustainable course, requiring prompt, responsible and bipartisan action to fix the program for our children and grandchildren.

Social Security Will Begin Running Deficits In 2017. Beginning in 2017, the cost of paying Social Security benefits will exceed the tax revenues generated by the program. These deficits would be permanent, and would grow larger with every following year. The 2017 projection is one year sooner than last year's projection.

The Social Security Problem Will Not Go Away By Itself. While any projection contains some uncertainty, there is almost no chance that Social Security will remain solvent under current law. The Trustees Report shows a 95% probability of *permanent* deficits beginning between 2013 and 2022. It also shows less than a 2.5% chance that the program will remain solvent for the time today's toddlers retire.

Each Year's Delay In Action Makes The Total Funding Shortfall Larger. This year, the Trustees estimated that the program's total shortfall was \$11.1 trillion in present value. Last year's estimate was \$10.4 trillion. The passage of one year added approximately \$600 billion to the shortfall.

- Technical changes reduced the shortfall by roughly \$100 billion, and assumptions of higher long-range wage growth added an additional \$200 billion, for a total increase of \$700 billion over the 2004 estimates.

Social Security's Costs Are Growing Faster Than The Tax Base That Must Support Them. Costs are projected to rise to over 19 percent of the taxable wage base during the next 75 years, necessitating a payroll tax rate of more than 18% and rising at the end of the Trustees' 75-year valuation window.

Higher Economic Growth Won't Make A Big Difference. Social Security's finances are far more sensitive to demographic than to economic changes, because a faster-growing economy increases both the system's revenues and its benefit obligations. The 2005 Trustees' report provides evidence of this in several places, including:

- Productivity growth for 2004 (3.3%) was higher than the Trustees' 2004 estimate of 2.7%, and the Trustees also slightly increased productivity estimates through 2012. The effects of these changes, however, were dwarfed by other economic estimates such as updated data on COLA payments and interest rates. The net effect of economic re-estimates worsened the 75-year imbalance.
- The passage of one year, by itself, added more to the 75-year imbalance than the net effect of all of the economic re-estimates in the report.
- The Trustees slightly raised their real wage growth estimates over the very long term, looking out beyond the 75-year valuation window. (This actually had the effect of slightly increasing, rather than decreasing, the present value of the system's total imbalance going forward, though this change is not significant).
- Even when a number of economic and demographic assumptions are varied, per the Trustees' stochastic analysis, the program remains on an unsustainable path.

Technical Changes To The Projections Will Not Solve The Problem. Those who would minimize Social Security's projected shortfalls sometimes call attention only to the changes in projections that might reduce them, without taking equal account of changes that will exacerbate them. When taken in total, the need to fix Social Security remains clear.

- The latest Trustees' report incorporates technical corrections, based in part on the work of the Congressional Budget Office, to better reflect the "age-specific earnings levels of younger workers in recent years" – specifically, lower projected benefits for young male workers. This has the effect of reducing the system's projected shortfalls.
- At the same time, however, technical corrections were required to account for improved mortality calculations for those aged 65-69, changes in workforce participation by teenagers and seniors, and updated data on COLA payments and interest rates.



BY THE NUMBERS

From the Office of Strategic Initiatives

March 24, 2005

Union Workers Support Personal Retirement Accounts, Want Social Security's Problems Addressed

New Ayres, McHenry & Associates survey of non-retired union members reveals:

Nearly two-thirds call personal retirement accounts a good idea.

- 62% to 30% margin calls personal retirement accounts for those under age 55 a good idea.

Nearly six in ten express interest in creating account if given opportunity.

- 59% to 36% margin at least somewhat likely to create Social Security personal investment account.

Three-fourths say Social Security needs significant changes.

- 74% to 20% margin believes Social Security needs significant changes.
- 70% to 19% margin believes irresponsible for Congress not to make significant changes to Social Security.
- 68% doubt today's children and grandchildren will receive promised Social Security benefits if no significant changes are made. 20% are somewhat confident, and just 10% very confident.
- 63% to 19% margin says delays in fixing Social Security only increase costs.

Union workers confident in investment abilities.

- Nearly eight in ten (79%) have retirement plan invested in bonds and stocks.
- Nearly three-fourths (72%) trust themselves rather than union (13%) or federal government (8%) to manage retirement savings.
- Nearly six in ten (58% to 30%) think most union members are capable of making wise investment decisions.



STRENGTHEN SOCIAL SECURITY FOR FUTURE GENERATIONS

"We do not need a band-aid solution for Social Security. We want to solve this issue now and forever. Putting off real reform makes fixing the system harder and more expensive."

– President George W. Bush, March 12, 2005

Today, Treasury Secretary Snow, Chairman Of The Trustees Report, Announced The Results Of The 2005 Annual Trustees Medicare And Social Security Report:

The Trustees' reports provide an objective presentation of the financial status of the trust funds.

- ◎ **The Problems Facing Social Security Are Getting Closer.** The Social Security report show that Social Security cash flows peak in 2008 and turn negative in 2017, one year earlier than previously projected. The trust fund itself will be exhausted in 2041, also one year earlier than previously projected. The unfunded obligation, that is, the difference between the present values of Social Security inflows and outflows (plus the trust fund), has increased to \$11.1 trillion a permanent basis, and \$4.0 trillion over the next 75 years.
- ◎ **Only Large Tax Increases Would Close This Gap.** For those who believe that tax increases are the solution to this dire problem the report shows that taxes would have to be raised immediately by 3.5 percentage points to make the system whole on a permanent basis.

Social Security Faces Real Problems That Must Be Addressed Today.

- ◎ **There Are More People Collecting Benefits.** As the Baby Boom generation begins retiring in 2008, there will be a dramatic rise in retirees who will be living longer. Social Security is a pay as you go system that leaves workers with IOUs, not personal accounts.
- ◎ **Benefits Are Growing Faster Than Inflation.** Today's 20-year-olds are promised benefits 40 percent higher than seniors retiring today.
- ◎ **Fewer Workers Are Supporting Each Retiree.** In 1950, there were 16 workers for every retiree. Today, there are 3.3 workers for every beneficiary. By the time today's 20-year-olds retire, that number will drop to 2 workers for every beneficiary.

- ⊙ **These Problems Signal A Looming Crisis.** In 2008, the first Baby Boomers will begin to retire putting added strain on the system. In 2017, the system will begin paying out more than the system takes in. And in 2041, the trust will be insolvent. This will mean drastically higher taxes, massive new borrowing or sudden and severe cuts in Social Security benefits.

The President Has Laid Out Basic Principles That Must Guide Reform.

- ⊙ **No Changes For Those Born Before 1950.** Those who are at or nearing retirement will see no changes to their Social Security benefits, but they too want to see the system strengthened for their children and grandchildren. The President welcomes the wisdom of seniors, and he welcomes their input on how to save Social Security for future generations.
- ⊙ **We Must Fix Social Security Permanently.** The President wants to fix Social Security once and for all so that our children and grandchildren do not face these same problems.
- ⊙ **No Increase In Payroll Tax Rates.** Increasing the payroll tax rate would burden workers and harm our economic strength.

Voluntary Personal Retirement Accounts Are An Important Part Of Comprehensive Reform.

- **Personal Accounts Allow Younger Workers To Create A Nest Egg For Retirement That Can Never Be Taken Away By The Government.** Personal accounts allow younger workers to save a portion of their payroll taxes in an account that they own and control.
- **Voluntary Personal Retirement Accounts Give Younger Workers A Chance To Earn A Better Return On Their Money.** If a young person earns an average of \$35,000 a year during his or her career and contributes the maximum amount to a personal account each year, he or she can expect to have about a quarter million dollars saved by retirement.
- **Personal Accounts Could Be Passed On To Children.** Personal accounts will give workers an opportunity to build a nest egg and pass on the wealth they have built up to their children.
- **Personal Accounts Could Only Be Safely Invested.** The accounts could be invested only in a limited number of secure bond and stock index funds, including a life-cycle fund designed to protect workers from sudden market changes on the eve of their retirement.

Millions Enjoy Ownership And Control Outside Of Social Security

Today's Presidential Action

- **Today, President Bush Visited Galveston, Texas To Meet With Local Public Employees Who Are Saving For Their Retirement Outside Of Social Security In Personal Accounts.** The President has called for allowing younger Americans the option of safely investing a portion of their payroll taxes in voluntary personal accounts that they own and control within the Social Security system.

Background: Five Million People Nationwide Are Outside Of Social Security

- **All Full-Time Galveston Public Employees Are Saving For Their Retirement Outside Of The Social Security System. Across Texas,** forty-nine percent of all state and local public employees are exempt from Social Security and participate in alternate retirement systems.
 - ✓ **Galveston's Alternate Retirement System Features Personal Accounts.** All full-time public employees of Galveston County, including elected officials, pay into personal accounts instead of the Social Security system. Galveston County, along with nearby Brazoria and Matagorda Counties, opted out of Social Security in the early 1980s. Millions of other state and local public employees nationwide participate in plans outside the system.
 - ✓ **Exempt Workers Also Have Ownership And Control.** Galveston public employees have ownership of their retirement income, which means they can pass on their nest eggs to their children and do not face the risk that the government will decide to cut their benefits.
 - ✓ **Galveston Public Employees Enjoy Higher Rates of Return.** Participants in Galveston's alternate system enjoy higher rates of return on their contributions than they would under Social Security and a minimum guaranteed rate of return.
- **Millions Of Americans Already Have Retirement Plans Outside Of Social Security.**
 - ✓ **Many State And Local Public Employees Are Saving For Retirement Outside Of Social Security.** There are approximately five million state and local public employees who are exempt from Social Security. They live in every state and participate in alternative retirement plans that offer additional opportunities to build savings for their retirement, including higher rates of return and greater flexibility.
 - ✓ **Federal Employees Were Exempt From Social Security Before Laws Changed.** Prior to 1984, federal employees, including the President, Vice President, and members of Congress, were not required to pay Social Security payroll taxes.
 - ✓ **Federal Employees Already Have Voluntary Personal Accounts In Addition To Social Security.** People who work for the federal government have the option of investing a portion of their income in a Thrift Savings Plan (TSP), which offers a conservative mix of bonds and stocks. The federal government offers this plan because it recognizes the benefits of voluntary personal accounts.
- **The President Has Laid Out Basic Principles That Must Guide Reform.**
 - ✓ **No Changes For Those Born Before 1950.** Those who are at or nearing retirement will see no changes to their Social Security benefits, but they too want to see the system strengthened for their children and grandchildren. The President welcomes the wisdom of seniors and their input on how to save Social Security for future generations.
 - ✓ **We Must Fix Social Security Permanently.** The President wants to fix Social Security once and for all, so that our children and grandchildren do not face these same problems.
 - ✓ **No Increase In Payroll Tax Rates.** Increasing the payroll tax rate would burden workers and harm our economic strength.
 - ✓ **Voluntary Personal Retirement Accounts Are A Key Component Of Reform.** They would provide a nest egg to supplement the traditional Social Security checks workers receive.



March 3 - May 1, 2005: 60 Stops In 60 Days Accomplishments

More Than 160 Events; Officials Hit 500 Radio Interviews In All 50 States

"We launched the tour to engage Americans in a national dialogue about the problems facing Social Security and the need to fix it for future generations. Under the President's leadership, we have raised awareness of the problems facing Social Security and have built critical momentum for a permanent solution."

-- Treasury Secretary John W. Snow

Overview:

Since March 3, Administration officials have traveled the country to discuss the President's vision to strengthen Social Security. Administration officials - from the President and Vice President to Assistant Secretaries and Assistants to the President - crisscrossed the nation to participate in 166 stops in 40 states.

The first phase of the effort to preserve and strengthen Social Security has been successful. Americans are now aware of the challenges facing Social Security, and they consistently list Social Security as a top concern that needs to be addressed. The Senate has heard that concern and voted unanimously in favor of permanently fixing Social Security.

There is still work to do. If fixing Social Security were easy, it would be done already. The President will continue to discuss the need for Social Security reform with the American people, and will continue the discussion of options to ensure that Social Security is there for our children and grandchildren.

The American people elect their leaders to solve problems, not to sweep issues under the rug for future generations. We are now entering a phase when there will be stepped up legislative activity and discussion about actual solutions. We saw that in the hearings of the Senate Finance Committee on Tuesday April 26, and we will see it in ongoing efforts in Congress.

The President has led on Social Security reform, and he will continue to educate on the issue and press for reform, because he believes our children and grandchildren deserve the opportunity to save for retirement and deserve a Social Security system that is strong and sound.

60 Stops in 60 Days Accomplishments:

166: Number of stops Administration officials participated in on the 60 Stops in 60 Days tour.
[Note: All 60 Stops events took place outside the beltway & were open press]

127: Number of cities visited by Administration officials on the 60 Stops in 60 Days tour.

40: Number of states visited by Administration officials on the 60 Stops in 60 Days tour.

31: Number of Administration officials who participated in the 60 Stops in 60 Days tour.

61: Number of town halls Administration officials participated in with members of Congress.

30: Number of members of Congress who had an Administration official travel to their district or state for a town hall meeting.

7.94 Million Total circulation of newspapers that placed opinion columns by Administration officials during the tour.

More than 500: Number of radio interviews given by Administration officials over the 60 Stops in 60 Days tour.

50: Number of states in which Administration officials gave radio interviews on Social Security.

JOINT ECONOMIC COMMITTEE

ROBERT F. BENNETT, VICE CHAIRMAN

APRIL 27, 2005

Understanding Progressive Indexing

Social Security has a large structural deficit, estimated to be \$3.7 trillion in present-value terms for the next 75 years or \$11.1 trillion if we estimate the shortfall over the infinite horizon.¹ Naturally, estimating a cash flow encompassing such a long time frame is far from precise; any number of events over the coming decades could change the true figure. Indeed, some opponents of Social Security reform have concluded that a more optimistic (and realistic, they argue) estimate of future economic growth than that used by the Social Security Administration would give a more sanguine picture of the health of the system.

However, assuming that a strong economy over the coming decades can erase Social Security's structural deficit is a mistake. The way that Social Security adjusts for the vagaries of inflation simply preclude economic growth from erasing Social Security's long-term structural deficit.

Social Security's fundamental financial problem is that benefits increase with economic growth. The link between economic growth and benefits comes from how Social Security deals with the effects of inflation. The adjustments made to protect current and new retirees from inflation actually cause benefits to grow faster than inflation. Those who argue that strong economic growth in the future will erase Social Security's projected deficits ignore this irrefutable linkage.

This report details how Social Security adjusts initial and existing benefits for the effects of inflation, identifies the reasons for the upward bias in the inflation adjustments, and proposes a remedy that improves Social Security's long-term solvency. A carefully crafted reform could reduce the steady growth in real, inflation-adjusted Social Security benefits while protecting low-wage households, eventually erasing most of Social Security's long-run structural deficit.

SSA over compensates for inflation

Social Security benefits are quite progressive. When a worker turns 60, SSA averages his highest 35 years of earnings to determine a preliminary final benefit for retirement. Workers receive benefits equal to 90% of the first \$7524 of average earnings. For the next \$38,000 of earnings, workers receive only 32% back in benefits². Workers receive only 15% in benefits for any income above that, with a maximum benefit of \$2,000 per

¹ *Social Security Annual Trustees Report 2005*, pp58-59. <http://www.ssa.gov/OACT/TR/TR04/tr04.pdf>

² The benefit formula is set by statute, and the cutoffs are adjusted each year to reflect inflation.

person per month³. Thus, the difference in benefits between high-wage and low-wage workers is much less than the difference in lifetime earnings⁴.

Since prices have increased considerably over the past few decades, each worker's wage history must be adjusted for the effects of inflation when calculating initial benefits. If not, initial benefits would be kept low by the relatively low earnings from the past, when prices were lower. Also, workers who had their high earning years early in their career would be penalized relative to workers whose best years came at the end of their career.

An example illustrates how to adjust wages for inflation. Suppose you wanted to compare your salary today to your father's \$20,000 income in 1970. Since a dollar today buys much less than a dollar in 1970, we must express his income in today's dollars. For instance, if the price of a car (or a bicycle, or some representative basket of goods and services) were five times higher today than in 1970 we would need to multiply your father's salary by five to compare it fairly to your own salary today.

The way this is typically done is to increase your father's salary by the cumulative effects of inflation during the intervening years. With a spreadsheet and a measure of inflation, the calculation is straightforward: To buy the same amount of goods and services today that \$20,000 could buy in 1970 your father would need to earn \$97,454.⁵

However, this is *not* what Social Security does when it adjusts a worker's lifetime of earnings to reflect prices today. Instead, it uses a measure of *wage growth* to adjust prior year's earnings. On average, wages outpace inflation by about one percent per year, reflecting the fact that our standard of living has grown over time. If we adjust your father's wages by overall wage growth instead of price growth, his adjusted earnings are now \$119,000. In this example, the \$119,000 represents what would be needed today to have the same *relative earnings* that your father had in 1970. That is, if \$20,000 represented the cutoff for the top ten percent of earnings in 1970, then \$119,000 would be its approximate equivalent today.

From our example we can see that over the past 35 years prices have quintupled while wages have sextupled. Put differently, inflation-adjusted wages have gone up roughly 20 percent over the period—the approximate difference between the \$119,000 and the \$97,000. In essence, Social Security calculates initial benefits assuming that your father made 20 percent more in 1970 than he really did.

Wage indexation causes inflation-adjusted benefits to increase over time

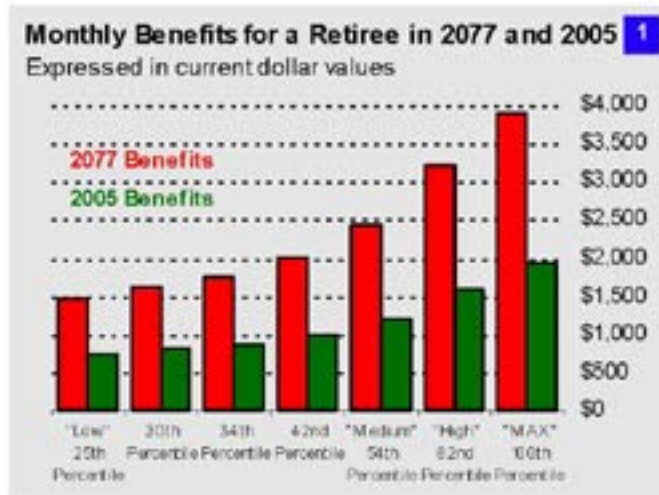
The result of indexing initial Social Security benefits to wage growth is that the real, (i.e. inflation-adjusted) benefits grow over time. The later a person is born, the higher his real

³ If a worker continues to earn beyond the age of 60 he can still increase his average salary for benefit purposes; SSA simply replaces one of his early years with the higher wages earned after the age of 60.

⁴ The fact that higher-income workers tend to live for more years after retirement than low income workers lessens this progressivity somewhat.

⁵ An extremely easy-to-use inflation calculator can be found at www.bls.gov.

Social Security benefits will be. In other words, if your average wage matched your father's, the *real value* of your Social Security benefits would be higher than your father's simply because you were born later. Figure one illustrates the inflation-adjusted increase in benefits over the next 75 years. The difference is enormous; over a lifetime we see that inflation-adjusted benefits **double**.



Why does Social Security adjust earnings using wage growth when calculating initial benefits? Two reasons are generally given. When President Ford proposed an indexation of initial benefits 1976, he indexed to wages in part for political expediency and also because some felt that it was possible that wages would *not* outpace inflation for the next generation. When he first proposed indexing benefits to wage growth, President Ford acknowledged that it

was indeed possible that it would create an unaffordable increase in benefits that future leaders would have to address.

Defenders of wage indexation favor it because without it, initial benefits would begin to lag wages and make retirees relying solely on Social Security feel increasingly poor compared to everyone else. As it currently stands the average monthly benefit replaces roughly 40 percent of annual earnings. As long as initial benefits are indexed to wage growth this ratio remains roughly the same. However, if we were to index initial benefits to inflation that ratio would decline, and in 2077 be half of what it is today.

Social Security's *other* indexation problem

Social Security recipients would *not* see their benefits actually shrink if initial benefits were tied to prices instead of wages. Besides the adjustment of workers' annual earnings in the calculation of initial benefits, Social Security also increases the benefits of *current* benefit recipients each year to adjust for inflation. This adjustment is done using a measure of price inflation, so that the amount of goods and services a retiree can buy with his benefits remains the same from year to year.

In fact, price indexation undoubtedly results in a gradual increase in the real value of Social Security benefits. Most economists believe that the Consumer Price Index overstates the true rate of inflation. A study in the late 1990s by Michael Boskin, former head of the Council of Economic Advisors under President Ronald Reagan, estimated that the CPI overestimated inflation by about one percentage point. Since that time the Bureau of Labor Statistics has taken some minor steps to reduce the bias, but the bulk of the bias remains.

Fully reducing the bias in the measurement of inflation would improve Social Security's solvency. For instance, one reform proposal would use a newer measure of inflation called the Superlative Index, established by the Bureau of Labor Statistics. Such a change would erase roughly 30 percent of the Social Security's long-term structural deficit.

Indexing initial benefits to a blend of wage and price indexation

Indexing initial benefits is not necessarily an either/or choice between wage growth and price inflation. One method of indexing initial benefits being championed by Democratic financial executive Robert Pozen would continue to use wage inflation to index the lifetime earnings of the bottom 30 percent of the wage distribution. For households with average earnings above the 30th percentile, their wages would be indexed with a combination of wage and price indexation, with the mix dependent upon where they are in the income distribution. For someone in the top of the income distribution, their earnings would be indexed by a measure of price inflation alone. Senator Robert F. Bennett has championed a version of this proposal as part of a broader Social Security reform package.

To give an example of how blended indexation works, someone just entering the labor force with average annual earnings in the 40th percentile over whose lifetime wages increased by four percent a year while prices increased by three percent (both of which are in line with long run SSA forecasts) would see their wages adjusted upward by an average of 3.8 percent when SSA calculates initial benefits at age 59½. Someone in the 60th percentile would see an adjustment of only 3.25 percent, reflecting his higher earnings, while someone in the top of the wage distribution would have their wages adjusted by the three percent average annual increase in prices.

Figure Two illustrates the effect of blended wage and price indexation of initial benefits once such a change is fully phased in. Under one variant of progressive indexation, the



indexation change would apply solely for workers below the age of 55 and would be phased in over 50 years in order to avoid any replication of the "notch-baby" problem. Thus, a worker who is 50 years old today would see a very small change in the system, since nearly all of his earnings would have taken place before the change. After 50 years all workers could be indexed to the same deflator to ensure that benefits remain tied to income (and the amount of payroll taxes paid.)

Blended indexation has three distinct advantages: First, low-wage workers would be held harmless from any indexation changes. Under such a system, benefits would continue to replace roughly 40 percent of average wages, as is the case today. Second, the progressivity of benefits would increase significantly under such a change—the additional benefits that workers would receive for higher wages, already low today, would be significantly smaller under a regime of blended indexation. The difference in life expectancies between high-income and low income retirees would mitigate some of the progressivity.

Perhaps the most important benefit of moving to a system of blended indexation is that such a move removes the link between economic growth and benefit growth. Under our current system it is virtually impossible for economic growth to fill the Social Security shortfall because as the economy grows, benefits increase as well at nearly the same rate as tax revenue. Those who insist that solid economic growth can achieve solvency are simply ignoring arithmetic realities.

A gradual implementation of blended indexation of initial benefits would solve roughly three-fourths Social Security's long-term deficit, according to Steve Goss, the chief actuary for the Social Security Administration. Combining the blending of wage and price indexation of initial benefits with a reform of the measure of inflation used to adjust existing benefits for the effects of inflation would come close to solving the entire 75 year funding gap.

The Increasing Pressures on Social Security

The Social Security system is currently generating a substantial revenue surplus, but as the baby boomers start retiring the surplus starts to shrink, and by 2018 the system is running a deficit. Simultaneously increasing the number of retirees per worker *and* the inflation-adjusted benefits going to each retiree would put an unprecedented strain on the system and require substantial reform. Given that we cannot do anything about demographics, constraining the inflation-adjusted increases in benefits for high-wage earners is a logical place to turn to ensure future solvency.

Bolton Nomination



John R. Bolton – The Right Man for America at the U.N.

“John’s distinguished career and service to our nation demonstrates he is the right man at the right time. I urge the Senate to put aside politics and confirm him.”

President George W. Bush, April 21, 2005

An Experienced Diplomat and Committed Reformer

- John Bolton has had a distinguished career both in and out of government spanning 25 years. President Bush nominated him due to his extensive knowledge of how the U.N. works and his commitment to making it stronger and more effective.
- John Bolton has extensive experience on matters related to the United Nations. He led the charge to help defeat the odious Zionism = Racism resolution at the United Nations and has served the UN on a pro-bono basis. He helped U.N. agencies establish democratic institutions in countries freed from dictatorship. Clearly he cares about the success of the United Nations.
- John Bolton successfully galvanized the international community to help turn President Bush’s Proliferation Security Initiative into a reality, which has now been endorsed by U.N. Secretary-General Kofi Annan.
- Numerous former distinguished public officials, including seven former U.S. secretaries of state and defense, including Henry Kissinger and George Shultz, have made clear that “anyone as energetic and effective as John is bound to encounter those who disagree.”

Countering the Myths

- There is no evidence to suggest that John Bolton attempted to interfere with intelligence assessments or have officials fired who disagreed with him. All of his public remarks have been fully cleared throughout the U.S. Government. On one occasion in which Mr. Bolton asked that a State Department analyst be given a new portfolio, the dispute had to do with process and nothing to do with the analyst’s intelligence judgment or conclusions, and his supervisor termed his actions “entirely inappropriate.” In the other instance, the analyst erroneously told officials in and out of government that his public remarks had not been cleared.
- John Bolton is an effective manager who has inspired hundreds of loyal, former co-workers. The allegations by a former AID contractor that Mr. Bolton harassed her are being refuted daily by letters coming in from colleagues who were with her at the time.

Secretary Rice on Bolton Nomination

Need to Reform the United Nations

- It is no secret the United Nations cannot survive as a vital force in international politics if it does not reform.
- We have had problems with peacekeepers, the oil-for-food situation. You cannot have a human rights commission on which Sudan sits, you cannot have a situation in which, but for a last minute move, Iraq almost ended up, before liberation, chairing the disarmament commission.
- Everybody knows that it's an important time for U.N. reform.

John Bolton is Committed to the Future Success of the United Nations

- John Bolton is personally committed to the future success of the United Nations and he will be a strong voice for reform at a time when the United Nations has begun to reform itself to help meet the challenging agenda before the international community.
- John Bolton will also help to build a broader base of support here in the United States for the UN and its mission. As Secretary General Annan has said, 'U.S. support for the UN is critical to the success of this institution.'

John Bolton is Right Person to Reform the United Nations

- "...because John Bolton is tough and he's a good diplomat and he's committed, he's going to help us to do precisely that."

(Based on remarks to the Annual Convention of the American Society of Newspaper Editors by Secretary of State Condoleezza Rice, Washington, DC, April 15, 2005)



April 22, 2005

The Honorable Richard G. Lugar
The Honorable Joseph R. Biden, Jr.
Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman and Ranking Member Biden:

We were close colleagues of John Bolton during his tenure as senior vice president of the American Enterprise Institute from January 1997 through May 2001.¹ We are writing to tell you and your colleagues that the various allegations that have been raised before your Committee, concerning Mr. Bolton's management style and conduct in other organizations and circumstances, are radically at odds with our experiences in more than four years of intense, frequent, and continuous interaction with him.

Mr. Bolton was a demanding colleague—and was always at least as demanding of himself as of those around him. He was unfailingly courteous and respectful to us regardless of our AEI positions or seniority. Several of us were Mr. Bolton's subordinates, and the idea that he would seek to punish or settle scores with those who disagreed with him seems particularly preposterous to us. At AEI, whenever uncertainties or disagreements arose concerning research or administrative matters, the Bolton style was clear and consistent: he would state his own views openly and directly, expect others to be equally open and direct, and go out of his way to encourage subordinates to be open and direct, all in the service of arriving at the best possible decision. Disagreement was never discouraged and often led him to revise his own views; once a decision was reached, he expected subordinates to follow the decision with the same alacrity with which he followed the decisions of his peers or superiors.

For these and other reasons, John Bolton's management style at AEI became legendary for its crispness, openness, fairness, and efficiency. As we have followed the strange allegations suddenly leveled

¹ Our positions at AEI during Mr. Bolton's tenure are given below our signatures.

at Mr. Bolton in recent days and reflected among ourselves on our own experiences with him, we have come to realize how much we learned from him, and how deep and lasting were his contributions to improving AEI's management and esprit de corps as well as the substance of our research programs. Contrary to the portrayals of his accusers, he combines a temperate disposition, good spirit, and utter honesty with his well-known attributes of exceptional intelligence and intensity of purpose. This is a very rare combination and, we would think, highly desirable for an American ambassador to the United Nations.

We respectfully request that this letter be shared with the other members of the Committee on Foreign Relations and entered into its records.

Yours truly,



Leon Aron
Resident Scholar



Douglas Besharov
Resident Scholar



Claude Barfield
Resident Scholar



Frances Bolton
Assistant to the Senior Vice
President



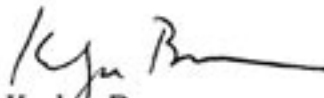
Steven Berchem
Vice President



Elizabeth Bowen
Director of Conferences



Walter Berns
Resident Scholar



Karlyn Bowman
Resident Fellow

Montgomery Brown /hs

Montgomery Brown
Director of Communications

Mark Falcoff /ce

Mark Falcoff
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Virginia V. Bryant

Virginia Bryant
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Marketing

Isabel Ferguson /ce

Isabel Ferguson
Director of Conferences

Seth Cropsey /ce

Seth Cropsey
Visiting Fellow

David Gerson

David Gerson
Executive Vice President

Aimee Dayhoff /hs

Aimee Dayhoff
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President

Newt Gingrich /VMH

Newt Gingrich
Senior Fellow

Christopher DeMuth

Christopher DeMuth
President

James Glassman /hs

James Glassman
Resident Fellow

Nicholas Eberstadt /hs

Nicholas Eberstadt
Resident Scholar

Jack Goldsmith /ed

Jack Landman Goldsmith III
Adjunct Scholar



Bob Hahn
Resident Scholar



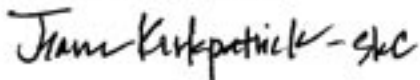
Kevin Hassett
Resident Scholar



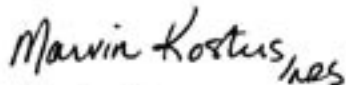
Robert Helms
Resident Scholar



R. Glenn Hubbard
Visiting Scholar



Jeane Kirkpatrick
Senior Fellow



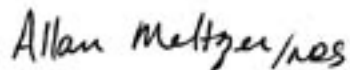
Marvin Kosters
Resident Scholar



Michael Ledeen
Freedom Scholar



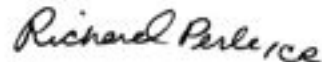
Danielle Maxwell
Marketing Manager for Donor
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Allan Meltzer
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Michael Novak
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Richard Perle
Resident Fellow



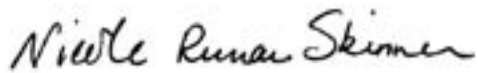
Jeremy Rabkin
Adjunct Scholar



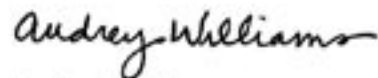
Robert Riley
Computer Operations Specialist



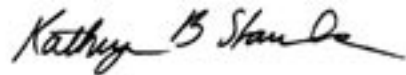
Véronique Rodman
Director of Public Affairs



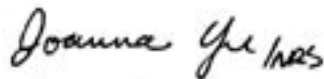
Nicole Ruman Skinner
Director of Marketing



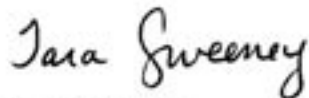
Audrey Williams
Training Manager and
Research/Staff Assistant



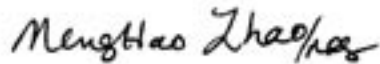
Kathryn Staulcup
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Joanna Yu
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Tara Sweeney
Marketing Communications
Manager



Menghao Zhao
Research Assistant



Peter Wallison
Resident Fellow



Scott Walter
Senior Editor, *The American
Enterprise*



Ben Wattenberg
Senior Fellow

April 22, 2005

Hon. Richard G. Lugar
Chairman
Committee on Foreign Relations
306 Hart Senate Office Building
Washington, DC 20510-6225

Dear Mr. Chairman:

We, the undersigned, have been appalled at the charges that have been leveled at John Bolton during the course of his nomination hearing to be this country's ambassador to the United Nations. Rather than a rational, mature discussion about the future course American policy should take with respect to the United Nations, or whether and to what extent Mr. Bolton's extensive knowledge and experience with the UN further that course, what we have witnessed instead has been a character assassination masquerading as a nomination hearing. Mr. Bolton spent a full day before your Committee prepared to delve deeply into issues of foreign policy, and yet all but a sliver of the Committee's time was devoted to unsubstantiated allegations of misconduct.

Each of us has worked with Mr. Bolton. We know him to be a man of personal and intellectual integrity, deeply devoted to the service of this country and the promotion of our foreign policy interests as established by this President and the Congress. Not one of us has ever witnessed conduct on his part that resembles that which has been alleged. We feel our collective knowledge of him and what he stands for, combined with our own experiences in government and in the private sector, more than counterbalances the credibility of those who have tried to destroy the distinguished achievements of a lifetime.

President Bush and Secretary Rice have personally expressed confidence in Mr. Bolton's ability to effectively represent this country in the United Nations. And for those of us who have worked with and known John Bolton for decades, we urge you and the Committee to consider our views. We believe John Bolton deserves to have the Foreign Relations Committee's vote of confidence and support as well.

Sincerely,

Ed Meese
Former Attorney General of the United States

Dick Thornburgh
Former Governor of Pennsylvania
Former Attorney General of the United States
Former Under Secretary General for
Administration and Management
The United Nations

Frank Keating
Former Governor of Oklahoma
Former Associate Attorney General
Former General Counsel, Department of Housing
and Urban Development
Former Assistant Secretary of the Treasury

William F. Weld
Former Governor of Massachusetts
Former Assistant Attorney General,
Criminal Division

Arthur B. Culvahouse Jr.
Former Counsel to President Ronald Reagan

C. Boyden Gray
Former Counsel to the President George H.W. Bush

T. Kenneth Cribb, Jr.
Former Assistant to the President
For Domestic Affairs

Richard Willard
Former Assistant Attorney General
Civil Division

Wm. Bradford Reynolds
Former Assistant Attorney General
Civil Rights Division

Douglas W. Kmiec
Former Assistant Attorney General
Office of Legal Counsel

Thomas M. Boyd
Former Assistant Attorney General
Office of Legislative Affairs
Former Director
Office of Policy Development

James F. Rill
Former Assistant Attorney General
Antitrust Division

Charles J. Cooper
Former Assistant Attorney General
Office of Legal Counsel

Becky Norton Dunlop
Former Senior Special Advisor to the
Attorney General

Eugene W. Hickok
Former Special Assistant
Office of Legal Counsel
Former Deputy Secretary of Education

Mark R. Levin
Former Chief of Staff to the Attorney General

John Richardson
Former Chief of Staff to the Attorney General

William P. Cook
Former General Counsel
U.S. Immigration & Naturalization Service

Steve Calabresi
Former Special Assistant
To the Attorney General

Murray Dickman
Former Assistant to the Undersecretary General
of the United Nations
Former Assistant to the Attorney General

Terry Eastland
Former Director of Public Affairs

Roger Pilon
Former Director, Asylum Policy and Review Unit

Lee Liberman Otis
Former Associate Deputy Attorney General
Former General Counsel
Department of Energy

C.H. "Bud" Albright, Jr.
Former Deputy Associate Attorney General

Gary L. McDowell
Former Associate Director of Public Affairs

Laura Nelson
Former Deputy Assistant Attorney General
Office of Legislative Affairs

Michael Carvin
Former Deputy Assistant Attorney General
Office of Legal Counsel

Mark R. Disler
Former Deputy Assistant Attorney General
Civil Rights Division

Brent O. Hatch
Former Associate White House Counsel
Former General Counsel National Endowment for
the Humanities
Former Deputy Assistant Attorney General
Civil Division

Steven R. Valentine
Former Deputy Assistant Attorney General
Civil Division

David B. Rivkin, Jr.
Former Deputy Director
Office of Policy Development
Member, U.N. Sub-commission
on the Promotion and Protection of Human Rights

Lee A. Casey
Former Attorney Advisor
Office of Legal Counsel
Member, U.N. Sub-commission
on the Promotion and Protection of Human Rights

Energy





Senate Committee on Energy & Natural Resources

U.S. Senator Pete V. Domenici, NM, Chairman

For Immediate Release
April 27, 2005

Senate Energy Committee Has Begun Work on Some Presidential Energy Proposals, Discussing Others

Washington, D.C. – The Senate Energy & Natural Resources Committee has begun consideration of some of President Bush's five energy proposals. Chairman Domenici plans to discuss the remaining ideas with colleagues on the committee for possible inclusion in the draft energy bill.

Chairman Domenici met yesterday with committee Republicans and will meet with them again this week. He has been meeting individually with committee Democrats. Those meetings will continue through the week.

Chairman Domenici noted that the committee has been working on bipartisan language in the natural gas title of the energy bill that would clarify the Federal Energy Regulatory Commission's exclusive authority over the siting, construction, expansion and operation of new Liquefied Natural Gas facilities, as the President suggested today.

Committee senators discussed reducing the uncertainty in the licensing of new nuclear plants Tuesday morning during a full committee hearing on the Administration's Nuclear Power 2010 project. Domenici welcomed President Bush's leadership on clear call for action on these matters today.

The committee has not previously considered expanding the tax credits for hybrid vehicles to include clean diesel vehicles, nor has the committee contemplated siting refineries on closed military bases. The committee has been considering siting LNG facilities on closed coastal military installations. The President proposed these as part of five energy proposals outlined in a speech to the Small Business Administration's Conference today. Chairman Domenici promised swift discussions with committee colleagues on these ideas.

Chairman Domenici's statement:

"The President's five energy proposals affirms his vision of clean, abundant and affordable energy for this country and his commitment to making that dream a reality. All of his suggestions would make a real difference in our energy supply and our environment. We have begun committee consideration of some of these proposals. I will promptly discuss with my colleagues other ideas we hadn't thought of before. The energy challenges we are facing now would be more manageable if we had enacted President Bush's National Energy Plan when he proposed it four years ago. Congress's failure to act have hurt our economy and American consumers. I welcome his continued leadership and policy proposals."

Promoting Energy Independence And Security

Today, President Bush Delivered Remarks On Energy Policy At The Small Business Administration's National Small Business Week Conference In Washington, D.C. The President stressed the need to promote greater energy independence by harnessing the power of technology to create new sources of energy and make more efficient use of existing resources. The President outlined his broad vision for moving America toward greater energy independence and announced five new energy policy initiatives:

- The Department of Energy (DOE) will work to reduce uncertainty in the licensing process for new nuclear power plants and to provide Federal risk insurance to mitigate the additional cost of unforeseen delays.
- The Environmental Protection Agency (EPA) will simplify regulations to encourage the expansion of refining capacity, and Federal agencies will work with States and local communities to encourage the construction of new refineries on closed military sites.
- The President will call on Congress to make clear federal authority over siting of new Liquefied Natural Gas (LNG) terminals to increase supply and reduce prices.
- The President will support the extension of his proposed tax credits for energy-efficient hybrid and fuel-cell vehicles to include clean-diesel vehicles.
- The President will encourage the deployment of new and clean energy technologies in the developing world at the G-8 Summit in July.

Background: Our Growing Economy Requires Affordable, Reliable, And Secure Supplies Of Energy

Use Technology To Boost Domestic Energy Production. Over the past decade, America's energy consumption has increased by more than 12 percent, yet domestic production has increased by less than 0.5 percent.

- Nuclear Power Can Provide For Tomorrow's Needs. Technology has made nuclear power safer, cleaner, and more efficient, but America has not ordered a new nuclear power plant since the 1970s.
 - The President will encourage construction of new nuclear power plants. DOE will work on ways to reduce the risk of unforeseen delays in the nuclear plant licensing process by modifying existing law, and will also work to offer Federal risk insurance to partially cover the cost of unforeseen delays.
 - The President has launched the Nuclear Power 2010 Initiative, a seven-year effort by government and industry to design and license the first new nuclear plants.
 - The Bush Administration is also working with 11 other nations on the Generation IV Initiative to develop a safer, more cost-effective, and more proliferation-resistant source of nuclear electricity and hydrogen.

- **Expanding Refining Capacity.** Demand for gasoline is growing 3 Ω times faster than the rate of refinery production, and there have been no new oil refineries built in the United States since 1976. The President will direct the EPA to simplify the regulations governing expansion of refining capacity at existing sites, in compliance with environmental laws. The President will also encourage the construction of new refineries on closed military sites, which will create jobs in these communities while producing cleaner fuels with advanced technologies.
- **Domestic Production Of Oil From ANWR.** Technology now makes it possible to reach energy resources in places such as the Arctic National Wildlife Refuge (ANWR) by drilling on just a 2,000-acre section of 19-million acres of land - less than one percent of ANWR's total area. Production in this one small section of ANWR could eventually yield up to one million barrels of oil a day.
- **Natural Gas Offers New Opportunities.** Technology makes it possible to cool natural gas into a liquid form so it can be transported on tankers and stored more easily. President Bush will call upon Congress to make clear Federal authority over siting of new Liquefied Natural Gas (LNG) terminals to increase our supply of natural gas and reduce prices for farmers and manufacturers, helping them to create jobs and keep the economy growing.
- **Make Clean Use Of Our Coal Supply.** America has enough coal for 250 years, and the President's Coal Research Initiative will develop and deploy new technologies that can remove virtually all pollutants from coal-fired power plants. Also, the President's Clear Skies initiative will result in more than 52 billion dollars in investment in clean coal technologies.

Employ Technology To Create New Sources Of Energy. President Bush supports diversifying the nation's energy supply to promote energy independence, including renewable resources such as wind, solar, and geothermal energy.

- **Hydrogen And Fuel Cells.** Two years ago, the President launched his Hydrogen Fuel Initiative to develop hydrogen-powered fuel cells that can power a car, emitting pure water instead of exhaust fumes. With investment now, it will be possible for today's children to take their driver's tests in completely pollution-free cars in the future. The President's Nuclear Hydrogen Initiative is developing advanced technologies that will work with Generation IV reactors to produce the hydrogen fuel these cars of the future will need.
- **Renewable Ethanol And Biodiesel.** President Bush has consistently supported a flexible national Renewable Fuel Standard that will expand the use of ethanol and biodiesel, creating new markets for farm products and greater energy security. Advanced technologies under development will make it possible to produce renewable ethanol from agricultural and industrial waste at a cost competitive with today's gas prices.
- **Renewable Electricity Sources.** President Bush has proposed \$1.9 billion over 10 years for renewable-energy tax incentives, including incentives for renewable electricity from wind, biomass, and residential solar energy systems.

Use Technology To Improve Conservation And Efficiency. Technological advances provide products that offer consumers better performance at lower costs while using less energy.

- Promote Residential Efficiency. The average American family used half as much energy to heat a home in 2001 as it did in 1978, and technology offers the possibility of a “zero-energy” home. President Bush will remain committed to research promoting advances in energy efficiency.
- Extend Tax Incentives For Energy-Efficient Vehicles. President Bush has already proposed \$2.5 billion over 10 years in incentives for energy-efficient hybrid and fuel-cell vehicles. Building on the success of his Administration’s efforts to reduce emissions from diesel engines and fuels, the President will support a new generation of modern, clean-diesel cars by making these vehicles eligible for his proposed tax credits.

Use Technology To Reduce Stress On Energy Markets. The market for energy is a global one, and America is not the only consumer. Today’s energy price increases directly result from the fact that both U.S. and foreign demand is growing at a faster rate than the global supply of energy.

- Help Foreign Partners Become More Energy Self-Sufficient. The President will discuss how to encourage the use of new energy technologies in the developing world at the G-8 Summit in July. By forming partnerships with other countries to develop new sources of energy, and by encouraging wider use of technologies like clean coal and nuclear power, the United States can assist other countries in becoming more energy self-sufficient, resulting in lower prices and larger energy supplies for everyone.

Jobs



Taking Action to Create and Protect Jobs in the 109th Congress: Senate Republicans are Creating Jobs for Americans Through a Jobs Creation and Retention Agenda

- Reduce the tax burden on American taxpayers and businesses – Extend the lower dividend and capital-gain tax rates and the higher small business equipment expensing provisions through 2010, while working to repeal the death tax.
- Energy Bill – Allow American businesses the opportunity to provide reliable and affordable supplies of energy to meet America's growing needs while reducing its dependence on foreign sources of energy.
- Highway Bill – Provide equitable and reliable funding for necessary infrastructure projects.
- Free Trade Legislation – Approve negotiated agreements that bolster the U.S. economy and expand American job opportunities.
- Trade Promotion Authority – Extend President's authority to negotiate additional trade agreements to open world markets for American businesses and consumers.
- Asbestos Bill – Pass asbestos reform that will save American jobs and help injured workers. Target help to those workers injured by asbestos and protect businesses from frivolous lawsuits.
- Class Action Reform – Reduce junk lawsuits by streamlining the legal process to ensure that injured Americans receive compensation.
- Welfare Reform Reauthorization – Build on the success of previous welfare reform by expanding work opportunities and strengthening families.
- Workforce Investment Act – Provide American workers with enhanced opportunities to receive training for new and better jobs.
- Workplace Flexibility – Permit employers to establish voluntary compensatory and flexible time policies to give employees more choices.
- Enhanced Workplace Safety – Reform OSHA to increase compliance, reduce wasteful expenses and cut bureaucratic red tape in order to help minimize workplace accidents.
- Higher Education Reauthorization – Support accessibility and affordability of higher education for all students, and stronger links between post-secondary institutions and businesses.

Highway Bill Talking Points

The Highway Bill is Part of a Long-Term Plan and Agenda to Create Jobs

- The Highway Bill is part of a 12-point Republican Job's Agenda that creates an environment to grow jobs through lower taxation and less litigation, sensible regulation, greater research and development, quality education and a strong infrastructure.
- We will not be satisfied until every worker that wants a job can find a job, but we have reason to be hopeful and believe our pro-growth policies are working. Over 3 million new jobs have been created in less than two years and the economy has grown 13 consecutive quarters. (Q1 GDP will be released 4/28/05)
- We have already passed Class Action Reform and soon will be working on a comprehensive Energy Bill, the Republican Senate is working on behalf of the American people.

Highway Bill Necessary to Maintain Infrastructure

- A safe, effective transportation system is the foundation of a growing economy. (EPW)
- According to the Federal Highway Administration, it will cost nearly \$76 billion a year to maintain the nation's highways and bridges from 2001 to 2020, with that total split evenly between states and the federal government. (RPC)
- A comprehensive reauthorization is necessary to eliminate the future funding uncertainty that has put many longer-term (and hence more expensive) projects on hold. (RPC)

Provides a Boost to Employment

- The Department of Transportation estimates that each \$1 billion in federal highway spending leads to 47,576 "person years" in employment benefits. This includes jobs in the highway construction sector, as well as jobs created in related industries such as stone, concrete, and fuel. (RPC)
- The same \$1 billion investment yields \$500 million in new orders for the manufacturing sector and \$500 million spread throughout other sectors of the economy. (EPW)
- If we fail to send a bill to the President by May 31st, states' federal funding uncertainty will potentially force states to delay putting these projects out for bid. According to the American Association of State Highway Transportation Officials (AASHTO), an estimated 90,000 jobs are at stake. (EPW)

109th Congress

AMERICA'S BUSINESS



We the People of the United States



May '05/State Work Period

<http://src.senate.gov>

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Rick Santorum, Chairman

Kay Bailey Hutchison, Vice Chairman

<http://gop.senate.gov>

